



GOVERNMENT OF INDIA

SUMMARY REPORT CALENDAR YEAR 2013

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
BUDGET DIVISION
NEW DELHI**

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INTRODUCTION

Interim Budget 2014-15 is scheduled to be presented to Parliament on 17th February, 2014 to enable the Central Government to seek a Vote-on-Account for the first four months of 2014-15. As per precedent, Detailed Demands for Grants, Outcome Budgets and Annual reports will be presented by different Ministries/Departments alongwith Regular Budget. For facilitating discussion on Vote-on-Account in Parliament, a summary detailing the activities of this Ministry including achievements and targets during the Calendar year 2013 has been prepared.

The Ministry of Finance responsible for administration of the finances of the Central Government. It is concerned with all economic and financial matters effecting the country as a whole, including mobility of resources for development. It regulates the expenditure of the Central Government, including the transfer of resources to States.

The Ministry comprises five Departments, namely:

- (i) Department of Economic Affairs;
- (ii) Department of Expenditure;
- (iii) Department of Revenue;
- (iv) Department of Disinvestment; and
- (v) Department of Financial Services.

This report gives a synoptic view of the important activities of the Ministry during the Calendar year 2013.

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Chapter I

Department of Economic Affairs

1. Economic Division

1.1. MACRO Unit

- Prepared the first chapter on 'State of the economy and prospects' in the Economic Survey 2012-13 and coordinated work on data compilation for all chapters.
- Prepared the Monthly Economic Report for each month and made it available on the website of the Ministry of Finance.
- Prepared the Macroeconomic Backdrop for the Annual Budget 2013-14.
- Helped to coordinate work on the Mid-year Economic Analysis.
- Coordinated work on the Quarterly Review analyzing the trends in the economy during the first quarter (April-June) of 2013-14.
- Assisted the Expert Committee set up under the chairmanship of Dr. Raghuram G. Rajan for Evolving a Composite Development Index of States, in its deliberations, and in the preparation of the final report.
- Coordinated dissemination of data as per the Special Data Dissemination Standard (SDDS) of the International Monetary Fund (IMF).
- Regularly attended to responsibilities related to preparing response to parliament questions, Calling Attention Notices, Special Mentions, etc.

1.2 Agriculture Unit

- Economic Survey 2012-13 – Agriculture and Food Management Chapter
- Quarterly Economic Review/Analysis 2013-14 - Agriculture Section
- Mid-Year Analysis 2013-14 – Agriculture and Food Management Section
- Background material for Economic Editor's Conference (EFC), 2013
- Material for Annual Report- 2013 relating to Agriculture and Food Management Unit
- Examination and analysis of Notes for the Cabinet/CCEA/EGoM/COS on various matters relating to Agriculture & Allied sector such as price policy of agricultural produce, Central Issue Prices/PDS/Open market sale scheme/ Food security/media communication strategy etc.
- Analysis regarding Duty structure of Edible Oil Sector
- Analysis relating to Minimum Support Price for Rabi and Kharif crops
- Analysis related to Public Distribution and Central Issue Price
- Parliament Matter
- PMO references
- VIP references
- Monthly Economic Review

1.3 Industry & Infrastructure Unit

- Monitored monthly trends in IIP based industrial growth and progress of core infrastructure industries.

- Prepared quarterly report based on the analysis of IIP based performance of industry and forecasting estimates for the months ahead based on de-seasonalised series of IIP.
- Rendered policy advice on issues relating to industrial growth, manufacturing competitiveness; infrastructure sector policy issues, etc.
- Examined and provided comments / inputs on Cabinet Notes/ CoS notes/PMO references on issues relating to industry & infrastructure, disinvestment of PSUs, etc.
- Drafted and finalized chapters on “Industrial Performance” and “Energy, Infrastructure & Communication” for the Annual Economic Survey 2012-13.
- Processed pre-budget memoranda and prepared briefs for FM’s pre-budget consultations with representatives of industry.
- Organised workshop on “Facilitating Small Businesses” in collaboration with the World Bank and the Ministry of Micro, Small, and Medium Enterprises (MSME).
- Drafted and finalised the portion relating to industry & infrastructure for the Mid-Year Review 2013-14.

1.4 Price Unit

- Monitoring and analysis of the domestic/global prices and price indices - wholesale as well as consumer (including new series - both urban and rural, industrial workers, agricultural labourers and rural labourers).
- Identification of the commodities and commodity groups causing inflation and the reasons behind persistent inflation.
- Suggestions made to the concerned ministries/departments to take appropriate action to reduce inflation and improve efficiency of internal trade.
- Monitoring of the developments relating to monetary policy.
- Formulation of a policy paper on inflation along with National Institute of Public Finance and Policy (NIPFP).

1.5 Financial Sector Unit

- Monitored financial sector development and rendered policy advice/comments on references received in the Division including cabinet Notes/ CoS notes/PMO references on financial sector issues.
- Drafted and finalized chapters on “Financial Intermediation” for the Annual Economic Survey 2012-13.
- Processed pre-budget memoranda and prepared briefs for FM’s pre-budget consultations with representatives of banks and financial institutions.
- Organised workshop on “Insolvency/Corporate Debt Restructuring (CDR) in India”.
- Drafted and finalised the portion relating to “Infrastructure Financing” for the Mid-Year Review 2013-14.

1.6 Balance of Payment (BoP) Unit

- The Unit conducts Short-term Balance of Payments Monitoring Group (STBoP) meeting to assess the current BoP situation and its short-term projections.
- Keeps close watch on global economic developments and analyses their implications for the country’s external sector.
- Monitors exchange rate policy and movements of the rupee against major world currencies.
- Monitors India’s Foreign Exchange Reserves and its deployment patterns.

- Prepare Chapter on Balance of payments for the Economic Survey and provide inputs for Mid-Year Analysis, Budget Speech and FRBM, Annual Report, and Monthly Economic Report/ Review.

1.7 External Debt Management Unit (EDMU)

- EDMU is responsible for compilation and dissemination of data on India's external debt: It publishes Annual Status Report on India's External Debt and Quarterly Reports on India's External Debt at end-September and at end-December.
- EDMU provides detailed analytical review/inputs on the India's external debt for Economic Survey, Annual Report, Mid-Year Analysis, and Monthly Economic Report/Review.
- EDMU coordinates work relating to the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) in the Ministry of Finance and Reserve Bank of India.
- EDMU is the nodal agency for supplying data for the World Bank's centralised database system 'Quarterly External Debt Statistics' (QEDS) once in every quarter.

1.8 Trade & Services Sector Unit

- Writing the chapters on 'International Trade' and 'Services Sector' for Economic Survey 2012-13,
- Providing inputs of the Trade and Services portions of Mid Year Review 2013-14.
- Monthly monitoring of Foreign Trade including services trade.
- Examining cabinet notes.
- Preparing briefs/ talking points/ comments on various trade and services related issues for FM/Secy(EA)/CEA/Spoker/committee of Parliamentarians.
- Organised meetings with service providers and prepared a working paper titled "Emerging Global Economic Slowdown: Opportunities and Policy Issues for Services Sector".

1.9 Social Sector Unit

- Analysis of poverty, labour issues, employment, health, education, and other topics concerning social sector.
- Monitoring of Human Development related indicators
- Coordinated with concerned Ministries/Departments dealing with social sector programmes/ activities.
- Prepared the chapter of Economic Survey on Human Development and provided inputs for the Mid-year Review
- Prepared a working paper on "Performance of Major Social Sector Scheme: A Sample Survey Report".

1.10 Public Finance Unit

- Prepared the chapter on Public Finance in the Economic Survey for the year 2012-13 covering areas, such as, revenue receipts, expenditure and its subcomponents for Central Government. The chapter also covers the trends receipts and expenditure of States and General Government.
- The annual publication of Economic and Functional Classification 2012-13 based on detail demand grants of Central government budget is prepared and circulated in the parliament.
- Indian Public Finance Statistics 2012-13 is prepared from Centre and State Government Budget.
- Government Finance Statistics data is compiled and sent to IMF for their annual publication.
- Economic Division prepares the Mid-Year Economic Analysis in the second quarter of each year for placing it before Parliament. A Chapter on Central Government Finances has been provided for the inclusion in Mid-Year Economic Analysis 2013-14.

- Besides, the Unit prepared various analytical notes on fiscal matters which were required time to time by Finance Minister, PMO, Cabinet Secretariat, senior officers and various other Ministries/Departments/Organisations.

1.11 Coordination Unit

- Published the Mid Year Economic Review 2013-14 and Economic Survey 2012-13
- Organized the 4th Delhi Economics Conclave (2013) on 11th and 12th December, 2013- International Conference on “Agenda for the Next Five Years”. Participants included policy makers, economists from India and abroad, academicians, industry leaders and bankers.
- Organized Finance Minister’s pre-Budget Meetings for the Budget.
- Prepared analytical notes on the state of Economy and also on policy issues for the use of FM and senior officers.
- Coordinated all matters relating to Parliament including all Parliamentary Committees and Parliament Questions.
- Coordinated the day to day work of Economic Division.

2. Budget Division

2.1.1 Budget Division is responsible for the preparation of and submission to Parliament the Annual Budget (Excluding Railways) as well as Supplementary and Excess Demands for Grants of the Central Government and of States under President’s Rule. The Division is also responsible for dealing with issues relating to Public Debt, market loans of the Central Government and State Government’s borrowing and lending, guarantees given by the Government of India and the Contingency Fund of India. The responsibility of the Division also extends to regulate the flow of expenditure by processing proposals from other Ministries/ Departments for re-appropriation of savings in a Grant where prior approval of the Ministry of Finance is required. The Division also deals with National Savings Institute (NSI), Small Savings Schemes and National Defence Fund. The work relating to Treasurer Charitable Endowment is also handled in the Budget Division.

2.1.2 Budget Division is responsibility for matters relating to Duties, Powers and Conditions of Service of the Comptroller and Auditor General of India and submission of the Reports of the Comptroller and Auditor General of India relating to the accounts of the Union to the President for being laid before Parliament. During the calendar year, 26 Reports of the C&AG of India were laid before the Parliament and 56 entrustments/re- entrustments of audit of various bodies to the C&AG of India were dealt by this Division.

2.1.3 The Budget Division is also responsible for administration of “Fiscal Responsibility and Budget Management Act, 2003” which was brought into force w.e.f. 5th July, 2004. The Rules made under the Act were also made effective from that date. Quarterly Reviews including Mid-term Review were presented in Parliament in accordance with the requirements of the FRBM Act.

2.1.4 Budget Division also oversees/facilitates the implementation of ‘Gender Budgeting’ in various Ministries/Departments.

2.1.5 The work relating to form of Accounts kept under article 150 of the Constitution of India is handed in this Division. Advice on the classification of Government receipts and expenditure and on the accounting procedure drawn up for implementation of new schemes of he Government is also rendered

2.2 National Small Savings

2.2.1 Small Savings Schemes

2.2.1.1 The Small Savings Schemes currently in force are: Post Office Savings Account, Post Office Time Deposits (1,2,3,4 & 5 years), Post Office Recurring Deposits, Post Office Monthly Income Account, Senior Citizens Savings Scheme, National Savings Certificate (VIII-Issue), National Savings Certificate (IX-Issue) and Public Provident Fund.

2.2.1.2 In order to make the small savings schemes more attractive and investor friendly, the Government has amended the scheme guidelines. A new category of savings account called ‘Basic Savings Account’ has been notified through which a beneficiary of any Government welfare scheme can open zero balance account in any post office to avail the benefit of any welfare scheme of the government.

2.2.2 Small Saving Collections

2.2.2.1 The gross deposits under various small savings schemes during 2013-14 (upto October, 2013) were ₹125237.67 crore against the Deposits of ₹ 122226.30 crore during the same period last year. An amount of ₹ 24859.39 crore (Approx.) is proposed to be transferred as share of net small savings collection to the States and Union Territories (with legislature) during the current fiscal, as against the sum of ₹ 22688.86 crore transferred last year.

2.2.3 National Small Savings Fund

2.2.3.1 In order to account for all the monetary transactions under small savings schemes of the Central Government under one umbrella, "National Small Savings Fund (NSSF)" was set up in the Public Account of India w.e.f. 1st April, 1999. The net accretions under the small savings schemes are invested in the special securities of various States/Union Territories (with legislature)/Central Government. The minimum obligation of States to borrow from the National Small Savings Fund (NSSF) has been brought down to 50% of net collections w.e.f. 1st April, 2012.

2.2.4 Measures for Improved Interface with the Public

2.2.4.1 Central and State Governments take various measures from time to time to promote and popularize small savings schemes through print and electronic media as well as holding seminars and meetings, providing training to various agencies involved in mobilizing deposits under small savings schemes.

2.3.4.2 National Savings Institute, a subordinate organization under the Department of Economic Affairs (Budget Division) also maintains its website i.e. nsiindia.gov.in in collaboration with National Informatics Centre to facilitate interface with the Public through wider dissemination of information on small savings. The service also offers on-line registration and settlement of investors' grievances.

2.3 Public Debt & Liabilities and Cash Management

2.3.1 As per Budget estimates for the Financial year 2013-14, the Central Government normal borrowing through issue of dated securities for financing the fiscal deficit has been at ₹ 5,79,000 crore (gross) and ₹ 4,84,000 crore (net) respectively. The Gross and Net Market Borrowing through dated Securities till December 2013 are ₹ 5,03,000 crore and ₹ 4,28,265 crore respectively.

2.3.2. The weighted average yield and weighted average maturity of Central Government dated securities issued during 2013-14 (upto December 2013) were 8.41 and 14.34 years respectively as compared with to 8.40 and 13.50 years in 2012-13.

2.3.3. The Ways & Means Advance (WMA) ceiling for the Central Government was fixed at ₹ 30,000 crore for the First half of the current fiscal i.e April-September 2013 and ₹ 20,000 crore for the Second half at the current fiscal.

2.3.4. In addition to the normal Government Dated Securities, in the current fiscal year, Government has issued Inflation Indexed Bonds of the nominal value at ₹ 6000 crore in 6 tranches at ₹ 1,000 crore each. The amount is within the budgeted Government market borrowing programme for 2013-14.

2.4 Fiscal Responsibility and Budget Management (FRBM) Act, 2003

2.4.1 Administration of Fiscal Responsibility and Budget Management Act (FRBM), 2003 and the Rules framed there under came into effect in July, 2004. The Act provides for the responsibility of the Central Government to ensure inter-generational equity in fiscal management and long-term macro-economic stability by achieving sufficient revenue surplus and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto. The Act further seeks to provide for the responsibility of the Central Government to prepare certain Statements and present them in the Parliament. Accordingly, during the period from January, 2013 to December, 2013, the following documents were presented in the Parliament.

- i) Medium-Term Fiscal Policy Statement 2012-13
- ii) Fiscal Policy Strategy Statement 2012-13
- iii) Macro-Economic Framework Statement 2012-13

Presented along with
the Budget 2012-13

- v) Quarterly Statements on Review of the trends in receipts and expenditure in relation to the budget.
 - (a) Third Quarter report for the year 2012-13
 - (b) Fourth Quarter report for the year 2012-13
- v) Following statements were prepared for inclusion in Budget 2013-14 as required under FRBM Rules, 2004.
 - a) The Revenue raised but not realised.
 - b) Arrears of Non-Tax Revenues.
 - c) Asset Register.

2.4.2 Following quarterly statements on review of trends in receipts and expenditure were also prepared and likely to be placed on the table of the House in the ensuing session of Parliament.

- a) Statement on quarterly review of the trends in receipts and expenditure in relation to the budget at the end of first quarter of financial year 2013-14.
- b) Statement on Quarterly Review of the trends in Receipts and Expenditure in relation to Budget at the end of 2nd Quarter of the financial year 2013-14.

2.4.3 During the above period, Fiscal Responsibility and Budget Management Rules were also amended and notified on 07-05-2013.

2.5 Medium-Term Expenditure Framework

2.5.1. Section 3(1) of the FRBM Act, 2003 was amended to introduce the concept of Mid-Term Expenditure Framework Statement to set forth a three-year rolling target for the expenditure indicators with specification of underlying assumption and risks involved. The MTEF Statement is to be laid before the Parliament in the session following the Budget Session. In the year 2013, the MTEF Statement was laid before both the Houses of Parliament on 23rd August, 2013.”

2.6 Debt Management Office

2.6.1 The Government set up a Middle Office (MO) in the Department of Economic Affairs consequent upon the announcement to establish an independent debt management office (Union Budget 2007-08). The major focus of Middle Office is on skill building and developing expertise required for a fully functional debt management office. The major functions of the Middle Office includes work related to draft legislation of the 'Public Debt Management Agency of India', developing debt management strategy, issuance calendars for Government securities, forecasting cash and borrowing requirements, developing and disseminating debt related information, etc.

2.6.2. The Middle Office publishes regular debt statistics on Central Government Debt and a Quarterly Report on Public Debt Management. It also brings out the Status Paper on Government Debt. Starting 2013-14, a Handbook of Statistics on Central Government Debt is also being published.

2.7 Constitution of the Fourteenth Finance Commission

2.7.1 In pursuance of clause (1) of article 280 of the Constitution, read with the provisions of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President constituted the Fourteenth Finance Commission under the Chairmanship of Dr. Y.V.Reddy, former Governor Reserve Bank of India. The Notification, in this regard, has been published in the Gazette of India (Extraordinary) vide S.O. 31(E) dated 2nd January, 2013. The Commission has been asked to make its report available by the 31st day of October, 2014, covering the period of five years commencing on the 1st day of April, 2015. Accordingly, the Notification containing terms of reference was laid in Lok Sabha on 22.2.2013 and in Rajya Sabha on 26.2.2013.

2.8 Hindi Branch

2.8.1 Translation cell in Hindi branch is responsible for translation of all documents as envisaged in the Official Language Act, 1963 and Rules made thereunder. These include Cabinet Notes, notifications, various reports, agreements with foreign governments and agencies, Parliament Questions/Assurances, official letters, Press Releases, Standing committee papers, material in respect of Public Accounts Committee and Consultative Committee etc.

2.8.2 In addition to the translation of all budget documents including very important and voluminous Economic Survey, Outcome Budget, Detailed Demands for Grants, Annual Report, Supplementary Demand, Hindi version of other documents such as Mid-Year Economic Analysis, Quarterly Economic Review, Status Reports of External Debt and External Assistance was also prepared by this cell during the year review on priority basis.

3. Capital Market Division

3.1 External Markets (EM/ECB)

3.1.1 Government in consultation with RBI & SEBI has made concerted efforts & instituted several measures to attract Off-shore Portfolio Investment & Improving Investors' appetite. These steps are set out below:

- **Enhancement of FII debt limits** to 81 billion (Corp. Bond USD 51 bn & G-Secs USD 30 bn) from the earlier 66 billion (Corp. Bond USD 46 bn & G-Secs USD 20 bn) at end December 2012.
- **Integration and simplification of FII investments** in Indian debt securities from April 1, 2013 by inter-alai merging various sub- debt limits and removing lock-in & residual maturity restrictions.
- Adoption of '**On-Tap System**' for both Corp. Bonds & G-Secs.
- Introduction of simplified procedures and **risk-based approach to KYC** to facilitate investors.
- **Rationalization of Foreign Portfolio Investment Routes::** SEBI had set up a committee to harmonize various routes of portfolio investment and convergence of different KYC norms and adoption of a risk-based approach to KYC. The committee submitted its report on June 12, 2013. Based on the recommendations of the committee, SEBI Foreign Portfolio Investor (FPI) Regulations have been notified. Salient features of new FPI regime are as under:
 - i. Existing FII/ Sub Account and QFI will be merged into an integrated class called "Foreign Portfolio Investor" (FPI)
 - ii. FPIs will not be required to get direct registration with SEBI. Instead SEBI authorized Designated Depository Participants (DDPs) will register FPIs subject to risk based KYC.
 - iii. FPIs will be categorized into three categories based on their risk profile namely **low risk** (such as govt. related entities), **moderate risk** (such as Mutual Funds, broad based funds, Banks, Insurance/ Reinsurance Companies, asset management companies, etc. and **high risk** (All other foreign investors corporate bodies, trusts, individuals, family offices etc.)
 - iv. Amongst other eligibility conditions, DDP shall be a Custodian registered with SEBI & DDP shall to be an Authorized Dealer category 1 bank as per RBI.
- Facilitation of foreign portfolio investment through:
 - v. Participation by FIIs in the exchange traded currency derivative segment.
 - vi. Permission for FIIs to use investments in Corporate bonds and Government securities as collateral to meet margin requirements.
- **Allowing unlisted Indian companies to get listed abroad without the condition of prior or simultaneous domestic listing:**
 - vii. Unlisted companies have been allowed to raise capital abroad without the requirement of prior or simultaneous listing in India.
 - viii. This scheme will be implemented on a pilot basis, for a period of two years from the date of notification of the scheme. After the initial two year period, the impact of this arrangement will be reviewed. The approval to list abroad will be subject to certain terms and conditions.
 - ix. This has been notified by the Government vide GSR No 684(E) dated October 11, 2013.

3.1.2 IFC offshore Bond Program: IFC, a member of the World Bank Group, launched a \$1 billion offshore bond program—the largest of its kind in the offshore rupee market—to strengthen India's capital markets. On November 19, 2013 IFC issued the first tranche of US \$ 161 million under its USD 1 billion

Global Rupee Bond Program. This pioneering bond issue met with a tremendous response and the fact that it has been oversubscribed by two times compared to the targeted amount of \$161 million, shows the attractiveness of quality Indian Rupee paper for global investors. In order to meet the huge need for infrastructure funding, it is crucial for India to develop the off-shore Rupee market as an alternative source of dollar funding. This capital raising opens up a new conduit for mobilizing funds for our various development needs, including for infrastructure. IFC's offshore bond program will help bring depth and diversity to the offshore rupee market and pave the way for an alternative source of funding for Indian companies.

3.1.2. Review of ADR/GDR Scheme: A committee was set up to review ADR/GDR scheme of 1993 keeping in view the new company law and the recent legislations in the financial markets; evolving macro-economic situation and the financial markets; the needs of the Indian companies and foreign investors; and the need for simplification and legal clarity of the Scheme. The Committee submitted its report on November 26-2013. Further follow up action is being taken.

- **Reduction in WHT** from 20 % to 5 % for ECBs, G-Secs & Corp. Bonds.
- **Standing Council of Experts** and its Sub-committee has been constituted to analyze and advice on improving international competitiveness of the Indian financial sector.
- **Road show Program & Investor Meets:** In order to strengthen Government interaction with overseas investors and to showcase India as an attractive investment destination, various roadshow Programmes and Investor meets were conducted during 2013 in Singapore, Hong Kong, London Frankfurt, Canada, Dubai, Japan, & San Francisco.
- During Calendar year 2013, around 46 FEMA amendment notifications were examined, notified and placed on the table of both the Houses of Parliament.
- Further, during the calendar year 2013, a total 155 cases of LO/BO/PO of foreign entities were examined and disposed of.

3.1.3. Liberalisation/Rationalization of ECB Policy: There has been progressive liberalization and rationalization of the key components of ECB regulations such as amount and maturity, all-in-cost, and permissible end uses etc. to facilitate availability of long term low cost funds with special thrust on infrastructure development.

- ECB has been permitted for refinancing of the Rupee loans for infrastructure sector to the extent of 25% of fresh ECBs
- ECB has been allowed for low cost/affordable housing projects. Further, National Housing bank/ Housing finance companies have been permitted to avail ECBs for financing prospective owners of low cost / affordable housing units.
- ECB limit for NBFC-IFCs under the automatic route has been enhanced from 50 % of their owned funds to 75 % of their owned funds, including the outstanding ECBs. Further, the hedging requirement for currency risk has been reduced from 100 per cent of their exposure to 75 per cent of their exposure.
- SIDBI has been permitted as an eligible borrower for accessing ECB for on-lending to MSME sector subject to certain conditions.
- Subsidiaries of MNCs working in India have been allowed to avail ECB under approval route from their parent company with minimum average maturity of at least 7 years for general corporate purposes subject to the terms & conditions as stipulated by RBI.
- The ab-initio trade credit contract period has been reduced from existing 15 months to 6 months. Further, it was also decided that existing facility of Trade Credits upto 5 years which is available to Infrastructure Sector for import of capital goods will be extended to all other Sectors. However, the facility of Letters of Credit/ Letter of Comfort (LoC)/ Bank guarantee will not be provided for such trade credits.

3.1.4 Government is committed to take all necessary steps to revive growth, boost investment, create conducive business environment, improving efficiency and depth of the markets, wider participation of investors and strengthening of the regulatory and institutional framework to channelize greater investments and to achieve potential growth of the Indian economy.

3.2 Secondary Market

3.2.1 Expansion of scope of Rajiv Gandhi Equity Savings Scheme (RGESS): Pursuing the Union Budget announcement of 2012-13, Government on 23rd November 2012 notified a new tax saving scheme called “Rajiv Gandhi Equity Savings Scheme” (RGESS), exclusively for the first time retail investors in securities market. The Scheme was launched in February 2013 and is implemented through depositories. RGESS has been further liberalized in the Union Budget 2013-14 to enable the first time investor to invest in listed mutual funds and equity for three successive years, instead of the present provision of one year. The income limit applicable for RGESS beneficiaries has been raised from ₹ 10 Lakh to ₹12 Lakh. Notification in this regard has been issued by the Department of Revenue on 18th December 2013.

3.3. Reduction in Securities Transaction Tax (STT):

3.3.1 Following the Union Budget announcement of 2012-13 the rate of STT has been revised downwards by 20% to 0.1% from 0.125% for delivery based transactions in the cash market, with effect from 1st July 2012.

3.3.2 Union Budget 2013-14 further rationalized the Transaction Tax. With effect from June 2013, among others, STT has been reduced for equity futures from 0.017% to 0.01%.

3.4 Listing of specified securities of small and medium enterprises on the Institutional Trading Platform in a SME Exchange without making an initial public offer:

3.4.1 Separate trading platforms for small and medium scale enterprises (SMEs) were launched and became functional at BSE and NSE in March, 2012 and September 2012 respectively. A framework to permit Small and medium enterprises, including start-up companies, to list on the SME exchange without being required to make an initial public offer (IPO), was announced in the Union Budget 2013-14. The issue however will be restricted to informed investors. This will be in addition to the existing SME platform in which listing can be done through an IPO and with wider investor participation. SEBI has issued the SEBI (Listing of Specified Securities on Institutional Trading Platform) Regulations, 2013 on 8 October 2013 and issued circular to exchanges on 24th October 2013.

3.5. Investment Advisors Regulation:

3.5.1 In consultation with various sectoral regulators and Ministry, the SEBI (Investment Advisors) Regulations 2013 has been issued by SEBI on 21 January 2013, thereby providing a framework for registration and regulation of Investment Advisors. The regulation would result in better investor protection and seeks to enhance qualified investment advice for investors.

3.6 Revised framework of suspension of companies:

3.6.1 For non-compliance of listing conditions, exchanges have been suspending the trading of the shares of the listed companies, which affected the interest of non-promoters much more than the promoters as the exit route used to be closed for such investors after suspension of trading. A need was felt to devise a suitable framework to address the issue and protect the interest of minority/small/non-promoter shareholders.

3.6.2 SEBI, vide circular dated 30 September 2013, has directed that the exchange, in case of non-compliant companies, would resort to several other measures such as imposition of fines, freezing of shares of the promoter and promoter group, transferring the trading in the shares of the company to separate category, etc., before suspending the shares of the company. Accordingly, to maintain consistency and uniformity of approach by the stock exchanges for taking action against the listed entities for non-compliance with certain important listing conditions, such as Clause 35, Clause 41, Clause 49 of the listing agreement, SEBI has prescribed Standard Operating Procedure (SOP) for suspension and revocation of suspension of trading in the shares and imposed uniform fine structure across the exchanges.

3.7 Parity between securities and commodities markets:

3.7.1 Vide Union Budget 2013-14, a commodity transaction tax (CTT), similar to securities transaction tax (STT) has been imposed, with effect from 1 July 2013 on non-agricultural commodities futures contracts at the same rate as on equity futures.

3.8 Granted Income Tax Exemption to Investor protection Funds of Depositories:

3.8.1 Vide Union Budget 2013-14, Income tax exemption presently granted to the investor protection funds of stock / commodity exchanges, has been extended to the funds set up for the same purposes by Depositories. This would give a boost to the investor protection and awareness programmes.

3.9 Primary Markets

3.9.1 The Securities Laws (Amendment) Second Ordinance, 2013 (no. 9 of 2013).

3.9.1.1 The Securities Laws (Amendment) Ordinance, 2013 (No. 8 of 2013) was promulgated by the President under clause (1) of the Article 123 of the Constitution on the 18th July, 2013. As the Securities Laws (Amendment) Bill 2013 replacing the Ordinance could not be passed by the Parliament. The Ordinance was re-promulgated on 16th September 2013 by the President. The Ordinance provides for:

- Wider power to call for information regarding securities transactions
- Power to conduct search and seizure
- Strengthen the powers to regulate Collective Investment Schemes (CIS)
- Power to attach assets and recovery of monetary penalties
- Provide explicit legal backing to actions taken by SEBI under its general powers:
 - ∅ Power to share information with other regulators
 - ∅ Power to pass consent orders
 - ∅ Power to pass disgorgement orders
- Strengthen the regulatory framework:
 - ∅ Establishment of Special Courts and SEBI counsels to be deemed as Public Prosecutors
 - ∅ Issuance of Regulations

3.10 Reforms in the Primary Market

3.10.1 The Hon'ble Finance Minister, while presenting Union Budget 2012-13 announced, inter alia, his intention of simplifying the process of Initial Public Offers (IPOs), lowering capital raising cost and helping companies reach more retail investors in small towns. In this regard, the following steps were implemented for the reforms in the primary market:

- Enhancing the participation of retail investors in IPOs through the nationwide broker network of stock exchanges (Electronic IPO)
- Enhancing the reach of Application Supported by Blocked Amount (ASBA)
- Ensuring minimum allotment of shares in IPO to every retail applicant.
- Facilitating capital raising by issuers by increasing flexibility to objects to the issue up to 20%
- Issue price in QIPs, streamlining disclosures and introducing rights and bonus issues as additional methods to achieve compliance to minimum public shareholding norms.
- Enhancing market integrity and Investor confidence by permitting only issuers with a minimum average pre-tax operating profit of ₹ 15 Crore to access the capital market through the "profitability route", putting in a place a framework for rejection of poor quality draft offer documents,
- Disallowing any withdrawal or lowering the size of bids for non-retail investors at any stage in the IPO process, and
- Increasing transparency in capital raising by limiting 'General Corporate Purposes' as an object of the issue to 25% of the issue size.

3.10.2 Pursuant to above mentioned reforms that were taken in September 2012, The cumulative equity amount mobilized for the financial year 2013-14, from April 2013 till November 2013, stood at Rs3313.54 crore through 31 issues as against ₹ 7445.76 crore raised through 25 issues during the corresponding period in 2012-13 (April 2012-Nov 2012). As of January 07, 2014, ASBA facility has been extended to around 76135 branches of 55 ASBA banks from the 9,843 branches earlier.

3.11 Development of Corporate Bond Market in India:

Various Policy reform measures were implemented in consultation with RBI, SEBI, MCA and IRDA to improve the regulatory regime and to stimulate the growth of Corporate Bond Market during 2012-13, which are as follows:

- Reduction in Debenture Redemption Reserve (DRR) for bond issuances to 25% by amending Circular issued in accordance with section 117(C) of Companies Act 1956:
- Amendment in definition of deposit in Companies (Acceptance of Deposits) Rules 1975.
- Development of securitized debt market by ensuring clarity in taxation policy for securitized debt.
- Rationalization of withholding tax (WHT) on FIIs for Government Securities and Corporate Bonds.
- Relaxation of Investment norms of Insurance / Pension funds to encourage such funds to increase their participation in corporate bonds.
- Minimum tenure restrictions for investment in infrastructure bonds by insurance companies reduced to five years from ten years to increase the eligibility of bonds for investment.
- Allow determination of investment criteria for investment by Insurance companies in bonds based on project cost of infrastructure company (SPV).
- Encourage public issuance of corporate bonds for raising Tier II capital by banks, especially since banks are viewed as more reliable by public investors.
- Insurance companies allowed participating in the repo market to increase liquidity.
- Reduction in haircuts on REPOs on corporate bonds.
- Insurance companies and mutual funds allowed participating as market makers in CDS market to improve trading in this product.
- Re-look at FII auction process for Corporate Debt
- Setting up of Central counter party (CCP) and creating trade guarantee fund for trading in corporate bonds in stock exchanges.
- Introduce DVP III mechanism for liquid bonds rated above AA to enable settlement on net cash basis to ensure convenience.
- Risk management framework for corporate bonds listed and traded in the cash market segment.
- Introduce a market making scheme for providing two way quotes
- Introduce or expand Trading platforms (Order Matching System) on similar lines of the Negotiated Dealing System (NDS)-OM
- Centralized database in respect of corporate bonds on outstanding amount, settlement value and traded volume to eliminate fragmentation of information
- Mandate use of Unified market conventions for standardization
- Credit Enhancements in Corporate Bonds

3.12 Increasing minimum public shareholding (MPS) for listed companies:

3.12.1 The Securities Contracts (Regulation) Rules 1957 provide for non-promoter, public shareholding for all listed companies to be 25% (except for Government owned Public Sector Enterprises where the threshold is 10%). SEBI has introduced the various methods for achieving MPS requirement in terms of rules 19(2) (b) & 19A of SCRR within stipulated time period i.e upto 3rd June 2013 for private listed companies and 8th August 2013 for Government owned Public Sector Enterprises. For the 105 non-compliant private listed companies the suitable directions have been issued by Whole Time Member SEBI on 4th June 2013. Directions has also been issued for one non complaint State Owned Public Sector Enterprises i.e. Haryana Financial Corporation Ltd on 14th October 2013 by SEBI.

3.13 Pursuant to the Budget announcements 2013-14, the following were implemented:

3.13.1 Mutual fund distributors allowed becoming members in the Mutual Fund segment of stock exchanges so that they can leverage the stock exchange network to improve their reach and distribution

- In order to facilitate financial institutions to securitize their assets through a special purpose vehicle, Securitization Trust have been exempted from income tax. Tax shall be levied only at

the time of distribution of income by the Securitization Trust at the rate of 30 percent in the case of companies and at the rate of 25 percent in the case of an individual or HUF. No further tax will be levied on the income received by the investors from the Securitization Trust

- Venture Capital Funds have been allowed pass through status under the Income-tax Act. The relevant regulations of SEBI have been replaced by Alternative Investment Fund Regulations. Angel Investors were recognized as category I AIF and venture capital funds will also get pass through status.
- SEBI has prescribed requirements for angel investor pools by which they can be recognized as Category I AIF venture capital funds”.

3.14 Financial Literacy

3.14.1 With the objective of promoting financial education in a synergetic manner, under the aegis of the FSDC Sub-Committee, a draft National Strategy on Financial Education has been formulated and public consultation on the same has been undertaken. CBSE is currently preparing course content for integrating financial education into school curriculum from Classes VI to X.

3.15 International Co-operation

3.15.1 Sovereign Credit Rating Agencies

3.15.1.1 India's sovereign debt is usually rated by six major Sovereign Credit Rating Agencies (SCRAs). These are Fitch Ratings, Moody's Investors Service, Standard and Poor's (S&P), Dominion Bond Rating Service (DBRS), Japanese Credit Rating Agency (JCRA) and Rating and Investment Information Inc., Tokyo (R&I). The latest rating Issued by these agencies are given below:

Rating Agency	Date of affirmation of ratings	Foreign Currency		Local Currency	
		Ratings	Outlook	Ratings	Outlook
Moody's	05.12.2013	Baa3	Stable	Baa3	Stable
Fitch	12.06.2013	BBB- (LT) F3 (ST)	Stable (changed from -ve)	BBB-	Stable
S&P	17.05.2013	BBB- (LT) A-3 (ST)	Negative	No ratings were given for local currency	
JCRA	13.12.2013	BBB+	Negative (revised from Stable)	BBB+	Negative (Revised from stable)
R&I	22.11.2012	BBB (LT) (downgraded from BBB+) a-2 (ST)	Stable	No ratings were given for local currency	
DBRS	30.09.2013	BBB (low) (LT) R-2 M (ST)	Stable for both LT and ST	BBB (low) (LT) R-2 M (ST)	Stable for both LT and ST

LT-Long Term, ST-Short Term

- 1) S&P visited India on April 25, 2013 for their annual review of sovereign credit rating of India, and released its latest research update on 17th May 2013. In its report, S&P has affirmed its BBB (-) long term and A-3 short term sovereign rating on India and retained negative outlook.
- 2) Recently, FITCH Ratings have also issued a Press Release on 12 June 2013 affirming India's Foreign Currency Long Term rating as BBB- and FC Short term rating as F-3 with a revision in the Outlook to Stable from Negative.
- 3) On December 5, 2013, Moody's Investor Service confirmed their Stable outlook on India's Sovereign credit rating. They also confirmed the Foreign Currency and the Local Currency ratings at Baa3.
- 4) DBRS visited Ministry of Finance on 26th July 2013. Their report was issued on 30th September 2013, confirming India's long term foreign and local currency sovereign credit rating at BBB (low) with Stable outlook.

- 5) R&I visited the Ministry on 31st October 2013 and their rating is yet to be released.
- 6) JCRA recently released their report on 13th December 2013, affirming India's both Foreign Currency and Local Currency Long Term rating as BBB+ with an outlook revised to Negative from stable.

3.15.2 Steps taken by the Government towards improving India's sovereign credit rating

Various reform measures being taken by the Government are expected to strengthen the argument for improvement in India's sovereign credit rating. These include measures for bringing about fiscal consolidation, improving the efficiency of government spending, improving long-term growth prospects, and improving the investment climate. In the past two years, Government has taken various initiatives to improve India's sovereign credit ratings. These include:

- **Constitution of an Inter-departmental Committee** under the Chairmanship of AS to examine the methodology and approach for dealing with sovereign credit rating agencies (SCRAs).
- **Introduction of structured interaction process** with the SCRAs to provide them with information they need. During the visit of SCRAs to DEA to conduct their annual review on Sovereign Rating of India, Secretary (EA) chairs the opening meeting. A series of interactive meetings with the senior officers are also held subsequently. During these meetings, Government presents its perspective to SCRAs about the strengths of the Indian economy and recent initiatives taken by it. We encourage SCRAs to also consider the long-term credit strengths of the Indian economy in a holistic manner, and, in view of such strengths, consider upgrading the rating of India's sovereign debt.
- **Detailed cross-country Presentation** about the comparative position of India and other similarly rated economies on key economic indicators is also made before the SCRAs.

3.15.2.1 These steps had helped us obtain revision of outlook from Fitch to stable from negative. In addition, we have also been able to convince the SCRAs to use a more positive language in describing the strengths of our economy, and to demonstrate a more nuanced understanding of the initiatives taken by the Government.

3.15.2 Financial Action Task Force (FATF)

- The FATF is an inter-governmental body that develops and promotes policies to protect the global financial system against money laundering and terrorist financing. It comprises of 34 countries and two Regional bodies, viz. the EU and the GCC as its Members and 21 international organisations as Observer.
- India obtained Membership of FATF in June, 2010. With the approval of Finance Minister, India, at the time of obtaining Membership, gave an Action Plan to FATF to address the deficiencies, as pointed out by FATF in Mutual Evaluation Report of India, in its AML/CFT framework within a timeframe of three years.
- India had completed all its Action Plan items in June, 2013 and has exited the regular follow up process at the FATF forum and thus become full-fledged Member of FATF without any conditions. The FATF Secretariat appreciated the efforts of India in coming out of the follow up process in record period of 3 years, which by itself is very challenging task

3.15.3. Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG)

- The Eurasian Group on combating money laundering and financing of terrorism (EAG) an FATF Style Regional Body (FSRB), was formed at Russia's initiative on October 6, 2004 at the Inaugural Conference in Moscow attended by six founding countries, namely, Belarus, China, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan. Uzbekistan joined the EAG as a member state in 2005.
- India has been admitted as 9th member of Eurasian Group on 15th December, 2010 in its Plenary in Moscow, Russia.
- EAG has 9 member countries, namely, Belarus, China, India, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan. It has also 14 countries, namely, Afghanistan,

Armenia, Germany, France, Italy, Lithuania, Moldova, Mongolia, Montenegro, Poland, Turkey, Serbia, Ukraine, and USA and 18 international bodies, such as the World Bank, UNODC, IMF etc. as Observers.

- India has been unanimously elected as the Chairman of the EAG in its Plenary held in Ashgabad, Turkmenistan in November, 2013 for a period of two years. This is a very significant development as for the first time since the inception of EAG in 2004, the Chairmanship of the EAG has been moved out of Russia.

3.15.4 Financial Sector Legislative Reforms Commission

- The Finance Minister announced the formation of the Financial Sector Legislative Reforms Commission (FSLRC) during his Budget speech of 2010-2011 and on 24 March 2011 the Resolution notifying the FSLRC was issued by the Government. The Commission, chaired by retired Supreme Court Justice Shri B N Srikrishna, submitted its Report to the Government on March 22, 2013. The Report, English and Hindi version, has been placed in public domain on the website of the Ministry of Finance in at <http://finmin.nic.in> and a dedicated e-mail feedback-fslrc@nic.in has been created to receive online comments.
- In the 2013-14 Budget Speech of the Finance Minister, it was inter alia stated that the Government intends to examine the recommendations of the FSLRC and act quickly and decisively to make the financial sector well-regulated, efficient and internationally competitive, and stand on sound legal foundations.
- In pursuance of the above, the FSLRC report is being examined and the government views on the recommendations of the Commission are being firmed up in consultation with the financial sector regulators and the concerned stakeholders.
- The recommendations of the Commission can broadly be divided into two parts, legislative and non-legislative. In the 7th Financial Stability and Development Council (FSDC) meeting held on 3rd June 2013, it was agreed in principle that regulatory agencies would identify the recommendations that can be implemented without legislative changes. As a follow up of the 7th FSDC meeting, DEA identified a list of non-legislative recommendations which mostly relate to improvement of regulatory governance, transparency, predictable method of regulatory intervention, regulatory cost benefit analysis etc. that can be implemented within the existing regulatory framework without requiring legislative changes.
- In the 8th FSDC meeting held on 24th Oct 2013, the Council decided that Regulators may voluntarily adopt governance enhancing recommendations that do not require legislative changes within a reasonably proximate timeframe. With a view to facilitating the task of regulators and help developing a uniform rationale based understanding about the non-legislative governance enhancing principles, a detailed 'Guidance Handbook' has been prepared which essentially includes governance enhancing provisions/recommendations, their rationale, suitable examples of global good governance practices and guidance on implementation. These recommendations encompass issues relating to consumer protection, consumer protection for retail customers, timeline for regulations on consumer protection, requirements for framing regulations, notices to regulated entities, transparency, transparency in Board meetings, reporting, approvals, investigation, adjudication, imposition of penalty and capacity building.
- The 'Handbook' has been circulated to the financial sector regulators and the same was put in public domain on <http://www.finmin.nic.in> website for the information of public at large.
- In the 8th FSDC meeting it has also been decided to set up Task Forces with a project approach to lay the roadmap for the establishment of new agencies like Resolution Corporation (RC), Financial Sector Appellate Tribunal (FSAT), Public Debt Management Agency (PDMA) and Financial Data Management Centre (FDMC). In pursuance of this, draft ToR have been circulated to the financial sector regulators for their comments and suggestions.

3.15.5 Financial Stability and Development Council (FSDC) Secretariat

3.15.5.1. Financial Stability and Development Council (FSDC)

- The Financial Stability and Development Council (FSDC) was set up by the Government in December 2010 under the Chairmanship of Finance Minister having Heads of financial sector regulatory authorities, and Secretaries of concerned Departments, as members. The Council monitors macro prudential supervision of the economy, including functioning of large financial conglomerates, and addresses inter-regulatory coordination and financial sector development issues, including issues relating to financial literacy and financial inclusion.
- During 2013-14, the Council held two meetings on 3rd June (7th meeting) and 24th October 2013 (8th Meeting). During these meetings, the Council reviewed the position of Asset Quality and Capital Adequacy of the banking system in the country, National strategy for Financial Education, recommendations of the Financial Sector Legislative Reforms Commission, impact of tapering off of the quantitative easing in the US and preventive measures to be taken, steps to be taken by regulators/Government to facilitate the “Corporate Distress Resolution Mechanism” as laid out in the Companies Act, 2013 etc. In all, the Council has met 8 times so far. The 6th meeting held on 31st January 2013 was a Pre-Budget Consultation of the Ministry of Finance with the Financial Sector Regulators.
- The FSDC Sub-committee set up under the chairmanship of Governor; RBI meets more often than the full Council. All the members of the FSDC are also the members of the Sub-committee. During the year 2013, the Sub-committee held three meetings i.e. on 8th March, 7th August and 12th December 2013. In total, the Sub-committee has met 11 times so far.

3.15.5.2 Financial Stability Board (FSB)

- The Financial Stability Board (FSB) was established in 2009 under the aegis of the G20 bringing together the national authorities, standard setting bodies and international financial institutions to address vulnerabilities and to develop and implement strong regulatory, supervisory and other policies in the interest of financial stability. India is an active Member of the FSB having three seats in its Plenary represented by Secretary (EA), Deputy Governor-RBI and Chairman-SEBI. Regular interaction with FSB takes place through periodic conference calls and meetings. Information is exchanged with FSB member jurisdictions frequently as per international requirements and norms. The FSDC Secretariat in the Department of Economic Affairs coordinates with the various financial sector regulators and other relevant agencies to represent India’s views with the FSB.

3.15.5.3 Financial Sector Assessment Programme

- Established in 1999, the Financial Sector Assessment Program (FSAP) is a comprehensive and in-depth analysis of a country’s financial sector, as a joint program of the International Monetary Fund and the World Bank.
- The Committee on Financial Sector Assessment (CFSA), co-chaired by Deputy Governor, RBI and Finance Secretary, Government of India had done a self-assessment in 2009, the report of which is available in the public domain i.e. the website of Reserve Bank of India (RBI). In September 2010, IMF made it mandatory for 25 jurisdictions, including India, with systemically important financial sectors to undergo financial stability assessments under the FSAP every five years.
- India’s full-fledged FSAP was conducted during 2011-12. The objectives of the mission were, inter-alia, to assess and formulate recommendations related to financial stability, financial development, and the financial sector oversight framework.
- The FSAP Report for India by the IMF – Financial System Stability Assessment (FSSA) Update – was published in 15 Jan 2013. Subsequently, the Detailed Assessment Reports (DARs) in respect of each financial sector viz. in the banking, securities market and insurance sector were also published by the IMF on 29th August 2013, followed by press releases by RBI, IRDA and SEBI indicating their position on the assessment made in these reports.

- As a member of the FSB, BCBS and IMF, India is actively participating in post crisis reforms of the international regulatory and supervisory framework under the aegis of the G20. India remains committed to adoption of international standards and best practices, in a phased manner and calibrated to local conditions, wherever necessary.

3.15.5 Crisis Prevention and Monitoring Framework (CPMF)

- Pursuant to the decision in the FSDC Sub-Committee, a Crisis Prevention and Management Framework (CPMF) for entire Ministry of Finance was prepared by the FSDC Secretariat in consultation with all Departments of MoF and was operationalized w.e.f. 1st October 2012. It encompasses, *inter alia*, collaborating with, and assisting, the Regulatory Authorities and the other stakeholders in identifying and mitigating the emerging threats to financial and macroeconomic stability; and in the event of a crisis, taking all the necessary steps to mitigate its impact on the financial markets as well as the real sector. It highlights the 'prevention' aspect apart from the 'management' facet. The 'Anchor' Divisions have been made responsible to monitor, analyze, generate policy options and take action on evolving vulnerabilities in their respective areas.
- A Macro Financial Monitoring Group (MFMG), chaired by the Chief Economic Adviser and having representation from all Departments of the Ministry of Finance, has been set up which meets to keep track of the macroeconomic and financial developments, identify vulnerabilities, and provide early warning signals. The Group has held 12 meetings as on December 2013.

3.15.6 Commodity Derivatives

In order to better regulate the financial markets including commodity markets, the mandate of Commodity Derivatives' Policy and Regulations has been transferred from Department of Consumer Affairs to Department of Economic Affairs, Ministry of Finance in September, 2013. This has been done with the objective of bringing all financial sector regulators under the umbrella of Ministry of Finance and for better coordination amongst the regulators. Department of Economic Affairs, Ministry of Finance is in the process of strengthening the Forward Market Commission (FMC) and the regulatory structures initially by delegation of administrative and financial powers to FMC. This is in parallel also pursued by strengthening the legislative framework through the FCRA Amendment Bill 2010. The proposed FCRA Amendment Bill proposes to make provision for allowing trading in options in goods or commodities derivatives. It also provides for enhancement of powers of the FMC.

4. Infrastructure & Energy Division

4.1 Infrastructure

4.1.1 Based Cabinet Committee on Infrastructure (CCI) decision and Government of India Notification dated 27th March 2012 for updating and upgrading of "Harmonised List of Infrastructure Sub-sectors" and setting up of Institutional Mechanism (IM), Infra Section has organized three meetings of the Institutional Mechanism for the up-gradation of Master List. The Institutional Mechanism (IM) is headed by the Secretary, Economic Affairs and comprises Member Secretary, Planning commission, Secretary, Department of Revenue, CEA, Department of Economic Affairs, representative of RBI, representative of SEBI, representative of IRDA, representative of PFRDA, and Secretary of concerned Administrative Ministry. This initiatives, avoided the confusion on concept of "infrastructure" among various stakeholders including regulators and investors.

4.1.2 DMIC Trust is headed by the Secretary, DEA, which oversees the implementation of Delhi Mumbai Industrial Corridor (DMIC) Project. This includes examination of DPRs of various DMIC Project, organizing the Trust Meeting, etc. Total three meetings of the DMIC Trust were organized in 2013.

4.1.3 With sectoral charge of Department of telecommunication, Department of Post, Ministry of Road Transport & Highways, Ministry of Shipping, Department of Industrial Policy & Promotion, Ministry of Railways, Ministry of Urban Development, Ministry of Civil Aviation, Ministry of Information and Broadcasting, and Ministry of Power, this section deals with the scrutiny of Cabinet Notes, EFC Notes, CoS Notes, PIB Notes, GoM Notes, etc., originated from these Ministries/Departments.

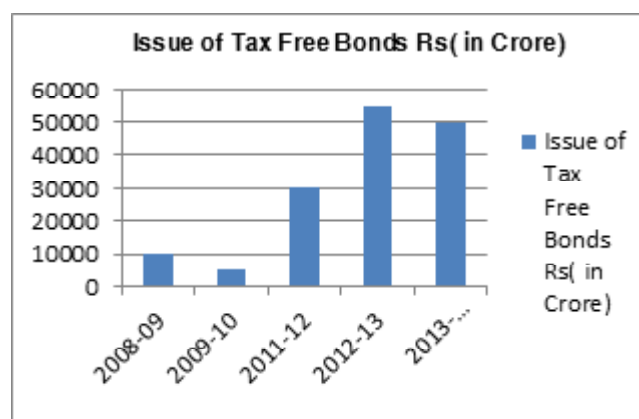
4.2 Infra- Finance

4.2.1 Infrastructure Debt Funds (IDFs): Government has conceptualized the Infrastructure Development Funds, which is an innovative attempt, for addressing the issue of sourcing long term debt from foreign investors for infrastructure projects. The characteristics can be summarized as under:

- Potential investors in these may include off-shore institutional investors, off-shore High Net worth Individuals, & other institutional investors (Insurance Funds, Pension Funds, Sovereign Wealth Funds, etc.).
- The income of Infrastructure Debt Funds has been exempted from income tax.
- The investments in IDF-NBFCs are safe and risk-free with scope for fairly high returns.

In addition, the Cabinet Committee on Economic Affairs, on 24.9.2013, has also approved Cabinet Note on “Operationalisation of Infrastructure Debt Funds (IDFs)-Removal of Certain Impediments. The said Cabinet decision seeks to remove certain impediments being faced by IDFs operational currently. This is likely to boost investment climate and IDFs are likely to announce investment in a very short period.

4.2.2 Tax Free Bonds: In yet another initiative, the Government has attempted to broaden the corporate bond market by according tax free status to infrastructure bonds. The Government has come up with the idea of ‘Tax Free Bonds’ to address the specific needs of infrastructure deficit, especially in sectors such as roads, ports, airports and power, which are essential for economic growth in any country. Taking its commitment for infrastructure development, Government has allocated tax free bonds amounting to ₹ 48,000 crore during the Financial Year 2013-14, to central public sector undertakings, for a period of 10, 15 and 20 years. Certain portion of the tax free bonds has been earmarked to be placed with sovereign wealth funds as well. With such a long tenure; investors are allowed tax exemption for the interest earned on these bonds and listing on the stock exchanges for keeping open the liquidity window.



4.2.3 Road shows: The government has conducted road shows in various countries including Hongkong, Singapore, Finland, UAE, Qatar, USA, Canada, London etc to apprise foreign investors of the positive investment climate in India and to attract institutional investors.

4.2.4 Cabinet Committee on Investment (CCI): The Government has set up the Cabinet Committee on Investments (CCI) with the Prime Minister as the Chairman to expedite decisions on approvals/clearances for implementation of projects. This is likely to improve the investment environment by bringing transparency, efficiency and accountability in accordance of various approvals and sanctions.

The Institutional Mechanism to track all stalled projects has been operationalised at Cabinet Secretariat. The stalled projects are initially tracked by a Project Monitoring Group (PMG), wherein Ministries/ Departments concerned discuss issues that are adversely impacting implementation of the identified projects. A web based information system has also been put in place wherein entrepreneurs can provide the details of their project (s) as well as the bottlenecks inhibiting smooth implementation. Based on the discussions, efforts are made to expedite clearance /approvals and remove bottlenecks. Final decisions on unresolved policy issues and clearances are taken by the CCI.

4.3 Public Private Partnership (PPP)

4.3.1 PPP initiatives in India

The Government of India is promoting PPPs as an effective tool for bringing private sector efficiencies in creation of economic and social infrastructure assets and for delivery of quality public services. India, in recent years, has emerged as one of the leading PPP markets in the world because of several policy and institutional initiatives taken by the Government of India. During the current financial year (up to the end December 2013), there were 1,821 PPP projects in the infrastructure sector. These projects are at different stages of implementation, i.e. bidding, construction and operational.

4.3.2 Approval of Central-sector PPP projects

The Public Private Partnership (PPP) Cell is responsible for matters concerning Public Private Partnerships, including policy, schemes, programmes and capacity building and all other matters relating to mainstreaming PPPs. PPP Cell serves as the Secretariat for the PPP Appraisal Committee (PPPAC),

which has been constituted with the approval of Cabinet Committee on Economic Affairs to establish an appraisal mechanism and guidelines for PPP projects in the Central Sector. The PPPAC is chaired by Secretary, Economic Affairs. Since its constitution in January 2006, the Public-Private Partnership Appraisal Committee (PPPAC) has approved 267 central projects proposal with TPC of ₹ 2,88,984.40 crore. These include NHs (218 proposals), ports (32 proposal), airports (2 proposals), tourism infrastructure (1 proposal), housing (8 proposals) and sports stadia (5 proposals). **During the current year (up to the end December 2013) total 14 projects with total cost of ₹ 36308.11 crore have been approved by PPPAC.**

4.3.3 VGF for PPP projects

The PPP Cell implements the “Scheme for Financial Supports to PPPs in Infrastructure (Viability Gap Funding Scheme)” which provides VGF grant for the PPP projects*. Under the scheme 166 projects have been granted in-principle approval, out of which 39 projects were granted final approval.

	In-principle Approval			Final Approval		
	No of Projects	TPC	VGF Approved	No of Projects	TPC	VGF Approved
(till dec 2013)	166	85499.41	16670.54	39	27379.55	5433.61
2013-14	19	7018.36	1142.05	6	16951.86	3387.98

*(The proposals with VGF support of more than ₹ 100 crore and less than 200 crore need to be accorded approval by the Empowered Committee headed by Secretary (Economic Affairs). Projects with VGF requirement of more than ₹ 200 crores need FM's approval.)

4.3.4 IIPDF: Support for project Development activities

The Union Finance Minister in his Budget Speech for 2007-08 announced in the Parliament the setting up of a Revolving Fund with a corpus of ₹ 100 crore to accelerate the process of project preparation, for providing financial support for quality project development activities to the States and the Central Ministries; the Guidelines for India Infrastructure Project Development Fund (IIPDF) Scheme have been notified, which contributes up to 75% of the project development expenses. In this financial year (upto December 2013) 4 projects have been approved for support of ₹ 4.35 crores. (75% of the total PDE)

4.3.5 PPI: Pilot Projects Initiatives

Department of Economic Affairs in collaboration with the Asian Development bank has initiated the PPP Pilot Projects Initiative where the process of structuring the PPP Project is hand held by the Central Government to develop demonstrable PPP Projects in challenging sectors.

4.3.6 Capacity Building and Strengthening of State and Central Institutions

Under the National PPP Capacity Building Programme, 160 training programmes have been conducted to train 5004 officials during the current financial year (till December 2013). In addition to the training programmes, All India level workshops have been held to support Capacity Building and Mainstreaming PPPs with the support of the ADB . A Workshop on Policy Measures and Institutional Mechanisms for Contract Management in PPP projects was also held with the support of the World Bank. A PPP Exchange programme with officials of the Government of Kenya was also held wherein Kenyan officials from the National Treasury were give exposure to PPP projects in India and familiarised with the various institutional mechanisms in place for appraisal and approval of PPP projects.

4.3.7 Guidelines

For clarity on Government initiatives and dissemination of information on the various schemes and programmes of the Government of India to facilitate development of infrastructure through public private partnerships, the under mentioned documents were published and circulated.

- Guidelines for formulation, Appraisal and Approval of Central Sector PPP projects
- Scheme and Guidelines for Financial Support to PPPs in Infrastructure
- Scheme and Guidelines for India Infrastructure Project Development fund

4.3.8 Website

A website www.pppinindia.com is exclusively devoted to PPPs and serves as a virtual resource hub on PPP projects, policies and initiatives. The website developed significant linkages with State PPP units to provide information on State initiatives. The purpose of the website is to provide comprehensive and current information on the status and extent of PPP initiatives in India at the central, state and sectoral level. Site hosting online database on the PPP projects www.pppindiadatabase.com is under renovation for the enhancement and data updation.

4.3.9 Other activities for mainstreaming PPPs: For preparing a pipeline of credible, bankable projects that can be offered to the private sector through competitive bidding process as well as to manage the PPP process, State Governments and Central Ministries have been provided with technical assistance in the form of in-house PPP, financial/risk experts, MIS experts and access to a Panel of legal firms. Other measures include preparation of a manual on PPPs and standard documentation to guide the users and undertake training programmes for public officials on PPPs, project financing, risk assessment and exposure to pre-bid grading of projects and developing pilot projects that can be up-scaled for implementation by project authorities and state governments.

4.4 Energy

4.4.1 Monitoring implementation of accepted recommendations of the Committee on Allocation of Natural Resources (CANR).

A Group of Ministers (GoM) on “Measures that can be taken by the Government to tackle corruption” had decided on 21st January, 2011, inter-alia, to deliberate on issues of enhancing transparency, effectiveness and sustainability in utilization of natural resources, consistent with the needs of the country to achieve accelerated economic development. Accordingly, a Committee on Allocation of Natural Resources (CANR) under the Chairmanship of Shri Ashok Chawla, formerly Finance Secretary, was constituted by the Cabinet Secretariat. The Committee submitted its Report on 31st May, 2011.

A Monitoring Committee to review the status of implementation of accepted recommendations of the CANR was set up by the Cabinet Secretariat on 26th July, 2012 headed by the Cabinet Secretary.

First meeting of the Monitoring Committee to review the status implementation of accepted recommendations of the Committee on Allocation of Natural Resources headed by Cabinet Secretary with Secretaries from Planning Commission, DEA DoE, DoLA, DoPT, MoPNG, MoEF, Ministry of Coal, DoT, Ministry of Mines, MoWR, D/o Land Resources and MoUD was held on 8th November, 2012. Second meeting is scheduled to be held on 28th January, 2014.

4.4.2 Finalization of Policy on Transfer or Alienation of Land Held by Government and Government Controlled Statutory Authorities.

Cabinet Note was considered by the Cabinet in its meeting held on 23.5.2013 and directed that in the light of the observations of the Ministries/Departments concerned, the proposal be re-examined by a suitable Group chaired by the Cabinet Secretary. Accordingly, a Note for the Committee of Secretaries (CoS) has been prepared and the same was considered by CoS in its meeting held on 13th August 2013 and referred the proposal to the Group of Officers (GoOs) representing major land owning Ministries to examine the proposal in detail and to submit the recommendations before the CoS. The GoOs met twice and the recommendations of GoOs were considered by CoS in its meeting held on 3.12.2013. The Cabinet Note is being re-drafted based on the recommendations of CoS.

4.4.3 Oil & Gas exploration policy

Ministry of Petroleum & Natural Gas has circulated a draft Cabinet Note on Uniform Licensing Policy based on the recommendation of Dr. C. Rangarajan Committee for inter-Ministerial consultation which will be considered by the Cabinet for a final decision.

-Policy on shale gas

The Cabinet Committee on Economic Affairs (CCEA) has considered the Exploration and Exploitation of Shale Gas and Oil by National Oil Companies under Nomination Regime on 24th September, 2013 and cleared the same.

-Natural gas pricing policy

The Domestic Natural Gas pricing Guidelines, 2014 has been notified by Ministry of Petroleum and Natural Gas on 10.01.2014

-NELP blocks

Out of 40 NELP Block, 31 Blocks have been cleared for E&P activities. Remaining 9 Blocks have been relinquished.

-The 5 MMTPA LNG terminal in Dabhol, Maharashtra will be fully operational in 2013-14.

Commissioned on 10/01/2013. RGPPL has entered into an agreement with GAIL for 25 years for the commercial operation of the terminal. The 5 MMTPA LNG terminal in Dhabhol, Maharashtra will be fully operation in 2013-14.

All the systems and facilities are ready to use. However, the terminal's full capacity can be utilized only when integrated Low Pressure system for sending gas to power plant is operational and after the completion of breakwater construction for bringing in the LNG ships during the monsoon period. The process of breakwater construction, which was under hold due to litigations in the Delhi High Court/ Supreme Court, has now been cleared and the tender process has been started and the work is expected to be completed by 2016.

4.4.4 Low interest bearing funds from National Clean Energy Fund to IREDA to on-lend to viable renewable energy projects.

A scheme for accessing low cost funds from National Clean Energy Fund to operate a refinance scheme through IREDA has been formulated by MNRE. The proposal for ₹ 2000 crore from National Clean Energy Fund has been approved by the Inter-Ministerial Group (IMG) in its meeting held on 11.11.2013. The following have been decided:

- (i) Keeping in view the short time remaining in the current financial year, an amount of ₹ 100 crores may be made available to IREDA during this year (2013-2014).
- (ii) The amount shall be made available to IREDA without cost.
- (iii) The quantum of funds to be made available to IREDA during the remaining four years as per the Scheme shall be determined subsequently.

4.4.5 Generation-based incentive to wind energy projects

The Generation Based Incentives (GBI) scheme has been announced. Ministry of New & Renewable Energy (MNRE) has released ₹ 230 crore to IREDA to meet committed liabilities of GBI for wind projects are set up during 2012-13. Additional financial support of ₹ 740 crore has been proposed in the RE proposals of the Ministry in the budget announcement.

4.4.6 Independent Coal Regulator:

Cabinet in its meeting held on 27/06/2013 considered the proposal of Ministry of Coal regarding constitution of Independent Regulatory Authority for Coal Sector-Approval for introducing the Coal Regulatory Authority Bill, 2013 in the Parliament, and approved the Coal Regulatory Authority Bill, 2013 to introduce the same in the Parliament subject to amendment of drafting or consequential nature, if any, in consultation with the Legislative Department.

4.4.7 Coal Pricing:

The Cabinet Committee on Economic Affairs considered the proposal of Ministry of Coal regarding pooling of price with imported coal and directed that coal may also be supplied to power plants of 4660 MW capacity and other similarly placed power plant that do not have any fuel linkage subject to the availability of coal and on the condition that such supplies do not adversely impact the availability of coal for the identified plants of 78000 MW capacity as per approval accorded.

4.4.8 Auction of Coal Blocks

The Cabinet Committee on Economic Affairs in its meeting held on 24th September 2013 considered the proposal of Auction of Coal Blocks from Ministry of Coal and approved the proposal which, inter alias, includes (i) bidding methodology to be followed; (ii) criteria of selection to be followed; and (iii) methodology for fixing the floor/reserve price.

4.4.9 Pharmaceutical Policy

The Pharmaceutical Purchase Policy (PPP) has been approved by the Cabinet on 30.10.2013. The Policy will be applicable for 103 Medicines for a period of 5 years. The policy will be extended only to Pharma CPSEs and prices will be fixed by NPPA based on cost based formula, with provision of annual revision of prices linked to WPI.

5. Investment Division

5.1 National Skill Development Corporation (NSDC)

5.1.1 NSDC, the formation of which was announced in the Budget Speech for 2008-09 (Para 101), commenced operations in 2009-10. The number of proposals approved by the NSDC Board touched the 100 –mark during the year ended 2013. The cumulative commitment to the 100 proposals – 88 training and 18 SSC proposals- approved at till March 2013 stands at ₹ 1859.45 crore. On an overall basis, more than 600,000 people received job oriented skills training across India. 62% of these have been placed at jobs. During 2012-13, NSDC partners trained 402,506 people across a wide array of sectors ranging from Healthcare, tourism, hospitality & travel, banking, financial services, retail, IT, electronics, textiles, leather, handicrafts and automotive to agriculture, cold chain and refrigeration through 570 courses offered through 2,598 physical and mobile training facilities in 333 districts. Furthermore, the Finance Minister also announced the decision at the Budget 2013 to set aside ₹ 1,000 crore for a scheme to encourage youth to voluntarily enrol at skill development institutions and provide an incentive of ₹ 10,000 to every individual who undergoes training, coupled with recognition, to create an aspiration value for skills.

5.2 STAR Scheme

5.2.1 The NSDC is also leading the implementation of the National Skill Certification and Rewards Scheme, (Standard Training Assessment and Reward). STAR envisages a monetary reward that will in essence financially help those who wish to acquire a new skill or upgrade their skills to a higher level. The STAR scheme was launched on August 16th 2013 and with a budget outlay of ₹ 1000 crores and is expected to motivate 1 million youth to acquire a vocational skill during the first year of its implementation. NSDC is the designated implementing agency of the scheme and is working through various Sector Skill Councils, Training Providers and Assessment Agencies.

5.3 National Skill Development Fund/Trust (NSDF/T)

5.3.1 NSDF/T was incorporated as a Trust under the Indian Trust's Act, 1882 with a total Corpus of ₹995.10 crore as Government contribution, which will act as a receptacle of funding contribution from the Central Government and State Government entities, multilateral/bilateral and other donors to provide funds to the National Skill Development Corporation (NSDC) for achieving its objectives. In this connection, a Deed of Public Trust was signed on 23/12/2008. The management of the Trust is through the Board of Trustees, which is comprised of three Trustees, viz., Secretary, Department of Economic Affairs, Secretary, Planning Commission, Chairman, NSDC. Secretary, DEA is the ex-officio Chairman of the NSDF/T. In 2011-12 NSDF has also been registered u/s 119(2), 12A and 12AA of the Income-Tax Act, 1961.

5.3.2 On 27/03/2009 NSDF/T and NSDC have entered into an Investment Management Agreement (IMA) which provides for transfer of funds from NSDF to NSDC based on its requirements.

5.4 Other Highlights:

5.4.1 Issue of tax-exemption to the funds invested was taken up with the Department of Revenue. CBDT, DoR have issued a Gazette Notification No.272(E) dated 24/01/2013 in exercise of the powers conferred by sub-clause (f) of clause (iii) of sub-section (3) of Section 194A of the Income-Tax Act, 1961 notifying the National Skill Development Fund for the purpose of sub-clause (f) of clause (iii) of sub-section (3) of the said Section.

5.5 Bilateral Investment Promotion and Protection Agreement (BIPA):

5.5.1 As part of the Economic Reforms Programme initiated in 1991, the foreign investment policy of the Government was liberalised and negotiations were undertaken with a number of countries to enter into BIPAs. The objective of BIPA is to promote and protect the interests of investors on reciprocal basis. As on November 2013, Government of India has signed BIPA with 82 countries, of which 72 BIPAs have already come into force.

The BIPAs have the significant provisions as under:-

- Accord fair and equitable treatment to investments of the foreign investors;
- National Treatment to foreign investment i.e. treatment at par with domestic investment;
- Most Favoured Nation Treatment i.e. treatment at par with other foreign investors;
- Right to transfer of returns, without unreasonable delay and in freely convertible currency;
- Right against expropriation, except for a public purpose, in accordance with law, on a non-discriminatory basis and on payment of compensation;
- Elaborate dispute resolution mechanism between a foreign investor and the host government and between the two contracting governments.

5.5.2 However, in the light of the recent developments including the legal implications, the Model text of BIPA is being reviewed to understand the exact nature of demands and obligations under these treaties.

5.5.3 While the process of Model text of BIPA is under review, Government decided to enter into negotiations with Government of UAE and finalised BIPA with United Arab Emirates on standalone basis which was signed on 12th December, 2013. This Agreement shall remain in force for a period of ten (10) years. During that period, and not later than 01-01-2016, both Contracting Parties shall commence renegotiation of the terms of this Agreement and endeavor to enter into a revised or new Agreement within a reasonable period. When both Contracting Parties agree on the revised or new agreement, the same shall supercede the existing Agreement from the date of its entry into force.

5.6 FIPB Unit

5.6.1 The Foreign Investment Promotion Board is a single window clearance for FDI proposals and comprises the core Group of Secretaries of Department of Economic Affairs, Department of Industrial Policy & Promotion, M/o Small Scale Industries, D/o Revenue, D/o Commerce, M/o External Affairs and M/o Overseas Indian Affairs and co-opt other Secretaries to the Central Government and top officials of financial institutions, banks and professional experts of Industry and Commerce, as and when necessary. FIPB is chaired by the Secretary of the Department of Economic Affairs and its meetings are held regularly, with 3-4 weeks interval.

FDI Proposals seeking FIPB approval are handled in this Department and proposals of NRI Investment, Foreign Technology transfer trade marks agreement and FDI in 100% EOUs are handled in the Department of Industries Policy & Promotion (DIPP). The FDI Policy and FDI Data are also handled in the DIPP.

5.6.2 During the Financial year 2012-13, 14 meetings were held in which 190 proposals, with FDI/NRI inflow of approximately ' 33565.72 crore were approved. During the Financial year 2013-14 (up to November 30, 2013) 9 meetings were held in which 133 proposals, with FDI/NRI inflow of approximately ' 30423.645 crore were approved.

5.7 Foreign Investment Unit

5.7.1 Department of Industrial Policy & Promotion (DIPP) is the nodal department on FDI policy. FIU Section, suo moto or otherwise, provides comments / views on FDI policy to DIPP for updating /amending /improving the extant FDI policy as per need of the Indian economy. It also suggests measures for improving investment environment in India with respect to FDI policy.

5.8 FDI Policy

5.8.1 Government of India embarked upon major economic reforms since mid-1991 with a view to integrate with the world economy and to emerge as a significant player in the globalization process. Reforms undertaken include de-control of industries from the stringent regulatory process; simplification of investment procedures, promotion of foreign direct investment (FDI), liberalization of exchange control, rationalization of taxes and public sector divestment.

5.8.1 As per the extant policy, FDI up to 100% is allowed, under the automatic route, in most of the sectors/activities. FDI under the automatic route does not require prior approval either by the Government of India or the Reserve Bank of India (RBI). Investors are only required to notify the Regional office concerned of RBI within 30 days of receipt of inward remittances and file the required documents with that office within 30 days of issue of shares to foreign investors.

5.8.3 Under the Government approval route, applications for FDI proposals, other than by Non-Resident Indians, and proposals for FDI in 'Single Brand' product retailing, and Multi Brand Retail Trading (MBRT) are received in the Department of Economic Affairs, M/o Finance. Proposals for FDI in 'Single Brand' product retailing and by NRIs are received in the Department of Industrial Policy & Promotion, M/o Commerce and Industry. These proposals are then considered by the Foreign Investment Promotion Board (FIPB) which is housed in the Department of Economic Affairs.

5.8.4. Foreign investments in equity capital of an Indian company under the Portfolio Investment Scheme are governed by separate regulations of RBI /Securities & Exchange Board of India (SEBI).

5.8.5 The FDI policy has been liberalized progressively through review of the policy on an ongoing basis and allowing FDI in more industries under the automatic route. Three major reviews were undertaken in the year 2000, 2006 and 2007-2008. A major policy stance defining indirect foreign investment was taken in 2009 which elaborated the counting of indirect foreign investment and guidelines for downstream investments by foreign owned or controlled companies as also guidelines for transfer of ownership from residents to non residents in sensitive sectors.

5.8.6 The following sectors are **prohibited** for FDI:-

- (i) Lottery Business
- (ii) Gambling and Betting
- (iii) Business of chit fund
- (iv) Nidhi company
- (v) Trading in Transferable Development Rights (TDRs)
- (vi) Real Estate Business or Construction of Farm Houses

(vii) Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes

(viii) Activity/sector not opened to private sector investment including Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems).

5.8.7 Sectors in which FDI caps exist are as under:-

Sl. No.	Sector	Sectoral Cap / Route
1.	Defence Production	26% FIPB (FII not allowed). Beyond 26%, in case state-of-the-art technology is envisaged, Approval through Cabinet Committee on Security
2.	Civil Aviation : (i) Scheduled Air transport services /domestic Scheduled passenger airline (ii) Non-scheduled Air Transport Service /Non-Scheduled airlines and Cargo airlines (iii) Ground handling services	49% FDI (100% for NRIs) Automatic 74% FDI (100% for NRIs) Automatic (Now foreign airlines are also allowed to invest) 100% for NRIs Automatic 74% FDI (100% for NRIs) beyond 49% FIPB
3.	Asset Reconstruction Companies (ARCs)	100% (FDI+FII) - FIPB beyond 49%
4.	Banking Private Sector Banking Public sector	74%(FDI+FII) FIPB beyond 49% 20%(FDI+FII) FIPB
5.	Broadcasting (i) FM Radio (ii) Cable network (iii) DTH (iv) Headend-in-the-Sky (HITS) (v) Setting up of hardware facilities : Up linking, HUB etc (vi) Up linking news & current affairs TV Channel	26% (FDI+FII) FIPB 49% (FDI +FII) Automatic)))74% (FDI+FII) FIPB beyond 49%) 26% (FDI+FII) FIPB
6.	Commodity exchanges	49%(26%FDI+23%FII) Automatic
7.	Credit information Companies (CICs)	74% Automatic (FII only 24%)
8.	Insurance	26% Automatic
9.	Stock Exchanges, Depositories, Clearing Corp.	49%(26%FDI+23%FII) Automatic
10.	Petroleum & Natural Gas Refining	49% FDI in case of PSUs Automatic
11.	Publishing of newspaper and periodicals dealing with news and current affairs	26% (FDI+FII) FIPB
12.	Security Agencies in Private Sector	49% FIPB
13.	Satellites –establishment and operation	74% FIPB
14.	Single brand product retailing	100 % subject to sourcing conditions beyond 51%; FIPB beyond 49%
15.	Multi Brand Retail Trading	51 % FIPB – subject to various conditions
16.	Telecom Services	100% FDI - FIPB beyond 49%; subject to licensing and security conditions laid down by DOT.
17.	Pharma sector (Brownfield)	100% FIPB w.e.f November 8, 2011
18.	Power Exchanges	49%(26%FDI+23%FII) Automatic

5.8.8 In other sectors, FDI is permitted upto 100% on the automatic route, subject to applicable laws/regulations, security and other conditionalities.

5.8.9 In July-August, 2013, the Cabinet approved changes in FDI caps /norms as mentioned below; these are already incorporated in the table above.

- 1) Petroleum & Natural Gas by Public Sector Undertakings (PSU), without any disinvestment or dilution of domestic equity in the existing PSUs.): Placed on Automatic Route
- 2) Commodity exchanges : Placed on Automatic Route
- 3) Power exchanges Placed on Automatic Route
- 4) Stock exchanges, depositories and clearing corporations: Placed on Automatic Route
- 5) Asset Reconstruction Company : Cap increased and placed on Automatic route till 49%
- 6) Credit Information Companies : Cap increased and placed on Automatic route till 49%
- 7) Tea sector including tea plantations : Divestment Condition removed
- 8) Single-brand product retail trading: Placed on Automatic Route upto 49% and sourcing conditions eased.
- 9) Test Marketing: Clause deleted as it is no longer relevant
- 10) Telecom Services : Cap enhanced to 100%
- 11) Courier Services :Placed on automatic route
- 12) Defence FDI allowed going beyond 26% in case state-of-the-art technology is involved. Approval through Cabinet Committee on Security
- 13) Multi-Brand Retail Trading :Sourcing conditions liberalised

5.8.10 To remove ambiguity and for facilitation of trade & investment, the Govt. has taken a number of steps. Some major steps are mentioned as below:

- (i) Control is redefined vide Press Note 4/2013 issued by DIPP as “Control’ shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements”.
- (ii) Group company are defined vide Press Note 2/2013 issued by DIPP as “Group Company means two or more enterprises which directly or indirectly in a position to
 - (a) Exercise twenty-six percent or more of voting rights in other enterprise; or
 - (b) Appoint more than 50% ,of members of board of Director in the other enterprise
- (iii) For providing relief to the unlisted companies to get capital for expansion etc, the Govt. vide Press Note No. 7/2013 has allowed Unlisted companies to raise capital abroad without the requirement of prior or subsequent listing in India initially for a period of two years subject to certain conditions.

5.8.11 The Government has set up a Committee for rationalising the definition of FDI and FII in view of the FM’s announcement in the 2013-14 budget that “To remove ambiguity what is FDI and FII, I propose that where an investor has a stake of 10 percent or less in a company, it will be treated as FII and, where an investor has a stake of more than 10 percent, it will be treated as FDI”. The Committee will submit its report shortly.

5.9 FDI Inflows

5.9.1 The cumulative FDI inflows from April 2000 to September 2013 aggregate to US \$ 3,06,889 million. The cumulative FDI equity inflows from April 2000 to September 2013 aggregate to US \$ 2,04,658 million (₹ 9,63,795 crore).

5.9.2 In the financial year 2013-2014, the FDI equity inflows from April 2013 to September 2013 are US \$ 11,376 million compared to US \$ 12,846 million during the corresponding period in 2012.

5.9.3 In the current calendar year 2013, the FDI equity inflows from January 1 2013 to September 30, 2013 are US \$ 16,853 million (₹ 97,086 crores) compared to US \$ 18,689 million (₹ 99,486 crores) during the corresponding period in 2012 representing a decrease of 9.82 % in dollar terms and a decrease of 2.41% in rupee terms.

6. Directorate of Currency (C&C)

6.1 Security Printing & Minting Corporation of India Limited (SPMCIL)

6.1.1 Security Printing & Minting Corporation of India Ltd. (SPMCIL), a Miniratna Category-I, Schedule-‘A’ Central Public Sector Enterprise (CPSE) was established on 13th January, 2006 to manage four India Government Mints, two Currency Presses, two Security Presses and one Security Paper Mill, which were earlier being managed directly by the Government of India (Ministry of Finance). The Corporation is wholly owned by the Central Government with authorised share capital of ₹ 2500 crore and paid up share capital of ₹ 5 lac.

6.1.2 The client of two Currency Presses, i.e., Bank Note Press (BNP), Dewas and Currency Note Press (CNP), Nashik is RBI for currency notes. For other two Security Presses, i.e. Security Printing Press (SPP), Hyderabad and India Security Press (ISP), Nashik, the clients are State Governments for Non-Judicial Stamp Papers and allied stamps and Postal Department for postal stationery, stamps, etc. Security Presses also produce various security items like cheques, railway warrants, income tax return order forms, saving instruments, commemorative stamps etc. for various clients and passports, visa stickers and other travel documents for Ministry of External Affairs and Ministry of Home Affairs. For four Mints at Mumbai, Kolkata, Hyderabad and Noida for circulation coins, the client is Ministry of Finance, Department of Economic Affairs. The Security Paper Mill at Hoshangabad manufactures security paper for use of currency / security presses.

6.1.3 The Corporation has achieved nearly all targets in production of Bank Notes, Coins, Security Products and production of the Raw Materials (Security Inks and Security Paper) during the year 2012-13. While achieving the ever highest targets, SPMCIL has also increased productivity per employee considerably. The Company has produced 7421 million pieces of the Bank Notes and supplied 7391 million pieces. This is 13.50% higher than the production of 6539 million pieces of the Bank Notes during the previous year. Production of the Bank Notes per employee has increased to 1.84 million pieces as against 1.63 million pieces achieved during the previous year. The Corporation has produced 6708 million pieces of the Circulating Coins and supplied 6878 million pieces of the Coins, including stock of last year, during the year 2012-13. This is 6.75% higher than the production of 6282.40 million pieces achieved during the previous year. Production of Coins per employee has increased to 1.88 million pieces in 2012-13 as against 1.69 million pieces achieved during the previous year. The Corporation has produced 52856 million pieces of Standard Product Unit (SPU) for Security Products during the year 2012-13 as against 51449 million pieces of SPUs produced during the previous year. The production of the Security Products in terms of SPUs per employee has increased to 14.39 million pieces in 2012-13 as against 13.10 million pieces achieved during the previous year.

6.1.4 The Corporation has produced 484 Metric Tonnes (MT) of the Security Inks in 2012-13 from the Ink Factory, Dewas against 273 MT of Inks produced during 2011-12. This is 77.28% higher than the production of the previous year. The Security Paper Mill in Hoshangabad has achieved the target for 2012-13 by producing 2925 MT of Security Paper and has supplied 3021 MT Security Paper to the presses.

6.1.5 The sales turnover of the Corporation has increased to ₹ 3625.17 crores in 2012-13 from ₹ 3422.68 crore in 2011-12 registering a growth of 5.92% over the previous year. The Sales per employee during 2012-13 has increased by 8% to ₹ 28.76 lacs from ₹ 26.70 lac during the year 2011-12 primarily due to increase in the production during 2012-13.

6.1.6 The Corporation has declared a dividend @ 20% on Profit after Tax (PAT) and paid to Government an amount of ₹ 84.70 crore. This is the third year in succession SPMCIL has paid dividend since its inception. SPMCIL has achieved MoU 2012-13 Composite Score of 1.035 and obtained excellent rating for the fourth year in succession. SPMCIL has also achieved ‘Excellent’ grading for compliance of Guidelines on Corporate Governance issued by DPE for 2012-13 for the third year in succession. The Company has created reserves of ₹ 2695.38 crore as on 31st March 2013. The Corporation has Total Assets of about ₹ 6808.43 crore as on 31st March, 2013.

6.1.7 Continuing its momentum of modernisation, the Corporation has spent an amount of ₹ 382 crore during the year on capital works and investment in the Joint Venture Company. One Computer to offset Plate making (CToP) machine has been installed at Currency Note Press, Nashik and another CToP machine is in progress at Bank Note Press, Dewas. Two nos. of Bank Note Processing System (BPS-2000) have been installed one each at CNP, Nashik and BNP, Dewas. Two nos. of Mini Finishing Machines for Bank Note Processing have been installed in Currency Note Press, Nashik. Three Nos. of Multi-stroke Medal Presses one each at India Government Mint at Cherlapally, Mumbai & Kolkata have been commissioned. One Gold Refining Plant has been commissioned at India Government Mint, Mumbai and one Silver Refining Plant at India Government Mint, Cherlapally. One No. of PVD coating machine for coining Dies is being commissioned at India Government Mint, Noida. The installation of the Blank sorting machines in the Mints is under progress. These Blank sorting machines will improve the quality of the Coin blanks thereby improving the quality of the Coins. IP based surveillance system has been installed in six units. ERP-SAP has been implemented across all Units of SPMCIL and is in stabilisation phase.

6.1.8 The corporation has achieved most of the objectives of corporatisation in a short span of seven years and has become a successful example of corporatization of erstwhile Government Units.

6.2 Indigenisation

6.2.1 Presently, the annual requirement of CWBN paper for printing banknotes in India is approximately 20,000 MT and about 5%-10% of this requirement is met indigenously by production of paper at Security Paper Mill (SPM), Hoshanagbad. The balance requirement is met through imports. Therefore, projects for indigenization for banknote paper requirement have already been set in motion. Bharatiya Reserve Bank Note Mudran Pvt. Ltd. (BRBNMPL) and Security Printing and Minting Corporation of India Ltd. have promoted a joint venture Company M/s Bank Note Paper Mill India Private Limited (BNPMIPL) at Mysore with an installed capacity of 12000 MT per annum to bring two state of the art technology paper lines is at advanced stage. BNPMIPL was incorporated on 13th October 2010 with initial authorized equity share capital of ₹1000 Crore and paid up equity capital of ₹ 600 Crore. The JV company has its Corporate office at Bangalore and the manufacturing units under construction at Mysore on the land leased out by BRBNMPL. Further, a new paper line with installed capacity of 6000 MT per annum at Security Paper Mill, Hoshangabad is also at advance stage. The commercial production for both the projects is expected to begin in 2014-15. These projects shall lead to indigenous production of major CWBN paper requirement. The import substitution thereby saving valuable foreign exchange and further aiding India becoming self-reliant in banknote paper production

6.1.2 The phase two modernisation of the Ink Factory at Dewas has been taken up. At present, SPMCIL is self-sufficient in production of the offset, intaglio and numbering inks.

Commemorative Coin Released during 2013-14

Year	Name of the Commemorative	Date of Release
2013	125 th Birth Anniversary of Maulana Abul Kalam Azad	20.12.2013

7. Multilateral Institution Division

MI Division is concerned with the policy matters of institutions in the World Bank Group, the IMF, the Asian Development Bank (ADB), African Development Bank (AfDB) and other Multilateral Financial Institutions like the International Fund for Agricultural Development (IFAD). MI Division also is the nodal point for facilitating as well as monitoring Externally Aided Projects – (Central and State Projects all over India) being implemented through assistance of World Bank, ADB and IFAD.

7.1. World Bank Group Activities

7.1.1 India is a member of four institutions of the World Bank Group i.e. International Bank for Reconstruction and Development (IBRD); International Development Association (IDA); International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA). MI division is the focal point for India being represented in the WBG meetings for international deliberations to discuss policy issues pertaining to the World Bank Group as also to undertake projects with assistance from the World Bank (IBRD and IDA). India is the 7th largest shareholder in IBRD with voting power of 2.91%. As a constituency (comprising of four countries - India, Bangladesh, Sri Lanka and Bhutan), India's voting power is 3.26%.

7.1.2 A total of 76 projects with net commitment of US \$ 20.83 billion spread across sectors of education, health, rural development, panchayati raj institutions, irrigation and water supply, urban and transport sectors form India's current portfolio of World Bank Group projects. Details of project approved during 2013 are at Annexure-I.

7.2. Major activities and achievements pertaining to the World Bank –

- Country Partnership strategy – In April, 2013, the World Bank Groups' new Country Partnership Strategy (CPS) for India (2013-2017) was adopted. The new CPS provides for a lending program of \$ 3 billion to \$ 5 billion each year till 2017. The new CPS has particular focus on three key areas; integration, transformation and inclusion, and puts special emphasis for projects in low income states.
- India commenced its subscription of IBRD additional shares allocated to it following 2010 reforms. As on 11th January, 2013 India holds 56,739 shares amounting to US \$6,844.7 million.
- On 12th September, 2013 the Union Cabinet gave its approval for entering into Special Private Placement Bonds arrangement with IBRD for enabling India to have additional borrowing space of US\$4.3 billion above the single borrower limit. The additional borrowing space will enable Government of India to commit new projects with World Bank (IBRD assistance).
- The first conference of Executive Directors and Advisers/Senior Advisers of WB, IMF, ADB, AfDB with DEA, Planning Commission and other line Ministries was organized by the MI Division on 21-22 August, 2013 in New Delhi.
- The 2013 Spring Meetings of the World Bank and IMF and other associated meetings took place in April, 2013 followed by Annual Meetings in October, 2013. The Indian delegation was led by the Hon. Finance Minister Shri P. Chidambaram. Highlights of the meetings included, inter alia, deliberations on issues of Global Policy Agenda (IMF); Governance and Quota reforms in IMF; World Bank Group Strategy; development of Global Infrastructure Fund; terms & conditions for World Bank's lending; procurement reforms; voice reforms; climate change, as well as long term strategic issues.
- To ensure smooth portfolio management, sector wise Tripartite Review Meetings have been organized for WB funded projects. State reviews also were held during the year for Odisha, Uttarakhand, Uttar Pradesh. Specific periodic reviews were also taken up for slow disbursing projects.

7.3 Contribution to IDA replenishment and other trust fund replenishments:

- i) The 4th and final meeting of IDA 17 replenishment was held on 16-17 December, 2013 in Moscow. During the meeting IDA transition support for India was unanimously agreed to. With this development, while India graduates in IDA-17, it would nevertheless receive US \$ 3.3 billion as IDA assistance in World Bank's financial year 2015-17. India played a constructive role in ensuring robust IDA-17 replenishment by indicating our choice of 'principal option' of accelerated re-payments of eligible IDA credits. For this, India got wide appreciation from African borrower representatives and the major donors.
- ii) India announced its pledge to contribute to the Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM) in the 4th Voluntary Replenishment Conference held on 2nd December, 2013. US\$16.5 million would be contributed from DEA's budget for the years 2013 to 2016.
- iii) DEA has also committed to contribute US\$1 million per annum for the years 2013 to 2017 to the Global Alliance for Vaccines and Immunization which is a public private global health partnership committed to saving children lives and protecting people's health by increasing excess immunization in poor countries.
- iv) DEA represented Government of India in the Global Environment Facility (GEF) 6th Replenishment meetings. DEA coordinated hosting of 2nd meeting of GEF 6 at New Delhi on 9th and 10th Sept 2013. This was the first replenishment meeting ever held in a developing country. India has contributed US\$ 6 million in pilot phase of GEF and US\$ 9 million in each of the 5 Replenishments of GEF.
- v) India has pledged to contribute an amount of US\$30 million to International Fund for Agricultural Development (IFAD)'s 9th Replenishment cycle. Consequently, the 2nd installment of US \$ 10

million was paid in financial year 2013-14. Upto financial year 2013-14, IFAD had assisted 26 projects in agriculture, rural development, tribal development, women's empowerment, natural resources management and rural finance sector in the low income States in India. Two new projects have been selected under the current Performance Based Allocation System cycle of financial year 2013-15.

- vi) In FY 2013-14, India has decided to contribute US \$ 500,000, payable in two equal installment (of INR 1.36 crores each), to the South-South Experience Exchange Trust Fund. The first such installment has been paid to the World Bank on 27th November, 2013.

7.4 IFC's activities in India:

7.4.1 International Finance Corporation (IFC), an important development partner for India, undertakes non-sovereign operations in India. It also extends advisory or services in relevant areas. As of June 30, 2013, IFC's committed portfolio in India stood at \$4.5 billion, with an average annual investment of approximately US\$1.0 billion in India, making India IFC's largest portfolio exposure. Projects have been concentrated in the areas of infrastructure, manufacturing, financial markets, agribusiness, SMEs and renewable energy. Keeping in alignment with the Country Partnership Strategy (CPS) of the World Bank Group in India, IFC focusses on low-income States in India.

7.4.2 Government of India has approved the proposal from International Finance Corporation (IFC) to launch Offshore Rupee Bond Programme to the tune of US\$ 1 billion. IFC has launched the first tranche of offshore Rupee bond programme on November 19, 2013 worth US\$ 161 million (INR 10 billion). The bond issuance met with overwhelming response and oversubscribed two times, with orders reaching over INR 20 billion. 27 investors from across the globe, which includes central and private banks, asset managers, pension funds etc. from Asia, Europe and US, participated. The tenor of the bond is three years and the coupon rate is 7.75 per cent. The bond proceeds will be converted into INR in domestic spot exchange market and used in India. The programme is expected to provide an alternative source of investment in India. It would also result in broadening of Indian capital market. The encouraging response for the programme is expected to boost investor confidence in India.

7.5 International Monetary Fund

7.5.1. India is a founder member of the International Monetary Fund, which was established to promote a cooperative and stable global monetary framework. At present, 188 nations are members of the IMF. Since the IMF was established, its purposes have remained unchanged but its operations - which involve surveillance, financial assistance and technical assistance - have developed to meet the changing needs of its member countries in an evolving world economy. The Board of Governors of the IMF consists of one Governor and one Alternate Governor from each member country. For India, the Finance Minister is the ex-officio Governor on the Board of Governors of the IMF. There are three other countries in India's constituency at the IMF, viz. Bangladesh, Sri Lanka and Bhutan. Governor, RBI is India's Alternate Governor.

7.6 Meetings of Board of Governors:

7.6.1 The Board of Governors usually meets twice a year to discuss the work of the respective institutions, viz. the Spring meetings and the Annual meetings of the IMF and World Bank. At the heart of the gathering are meetings of the IMF's International Monetary and Financial Committee (India is represented by the Finance Minister in IMFC) and the joint World Bank-IMF Development Committee, which discuss progress on the work of the IMF and World Bank. The 2013 Spring Meeting of the International Monetary Fund and World Bank Group was held in Washington D.C from April **19-21**, 2013. The last Annual Meeting of the IMF and World Bank was held during October 11-13, 2013 at Washington D.C. The 28th Meeting of the IMFC, which is an advisory body made up of 24 IMF Governors, Ministers, or other officials of comparable rank, was held at Washington D.C on 12th October, 2013.

7.7 Quota and Ranking:

7.7.1 India's current quota in the IMF is SDR (Special Drawing Rights) 5821.50 million, giving it a shareholding of 2.44 %. Based on voting share, India (together with its constituency countries viz. Bangladesh, Bhutan and Sri Lanka) is ranked 17th in the list of 24 constituencies.

7.7.2 The IMF reviews members' quotas once in five years and the last such review took place in December, 2010. India has already consented to its quota increase under the 2010 review and after the 2010 quota review comes into effect, India's quota share will increase from the current 2.44% to 2.75%, making India the eight largest quota holding country at the IMF. The 2010 quota review was expected to be in force during 2013. However it is still pending since the conditions for its effectiveness have not been met.

7.8 India's contribution to borrowing arrangements of the IMF

7.8.1 The Fund also supplements its quota resources temporarily through borrowing arrangements. In July 2010, India committed a maximum of up to USD 14 billion for the New Arrangements to Borrow (NAB) into which the previous Note Purchase Agreement (NPA) has been folded. This commitment is in the form of Promissory Notes or Securities issued by RBI on behalf of Government of India and can be drawn by IMF as and when it requires emergency funding. After the 2010 quota increase comes into effect, India's NAB commitment is expected to be rolled back to about US \$ 7.0 billion. These notes do not represent a cash outgo until the IMF makes a call upon India. As against the maximum commitment of US\$ 14 billion, so far since 2010, claims of about US\$ 2 billion have been made upon India. These borrowings are treated as part of India's reserves.

7.8.2 In the wake of the ongoing Eurozone crisis, the IMF has proposed a new bilateral borrowing programme to augment its resources for crisis prevention and to meet the potential financing needs of all IMF members. 37 members representing three-fifths of the total quota of the IMF, have pledged contributions to enhance the IMF's resources by US \$ 456 billion. At the Los Cabos Summit of the G20 held on June 19th, 2012, BRICS countries have announced their contributions, including US\$ 10 billion by each of India, Brazil and Russia and US \$ 43 billion by China. The IMF has committed that these new resources will be drawn only if they are needed as a second line of defense after resources already available from quota and existing borrowing arrangements are substantially used. If drawn, they would be repaid with interest. It has been clarified that quota resources would remain the basic source of fund financing and that the role of borrowing is to temporarily supplement the quota resources. The new borrowing programme is based on issuance of Promissory Notes by member countries that are securities of these countries which are encashable when required by the IMF. These note purchase agreements are denominated in Special Drawing Rights (SDRs) and do not entail any outgo of cash/hard currency until a call is made by the IMF to encash a portion of the securities. Further, the notes are treated as a part of the reserves of the issuing country and as such, they do not impact the holding of reserves of the issuer.

7.8.2 The Agreement for this borrowing programme has been finalized in consultation with Reserve Bank of India (RBI) and International Monetary Fund (IMF). The Note Purchase Agreement has been signed between RBI & IMF on 19.09.2013. A MOU has been signed between Government of India and RBI on 19th December, 2013.

7.9 Financial Transactions Plan (FTP):

7.9.1 The Financial Transactions Plan of the International Monetary Fund is the mechanism through which the Fund finances its lending and repayment operations, to its members, in the General Resources Account. The members of the Fund can take loans from IMF with limits corresponding to their quota. IMF lends to its members in both foreign exchange and SDRs. Credit extended in foreign exchange is financed from the quota resources made available to the IMF by members. The creditor gets benefited as their position gets increased. When extending credit in SDRs, the IMF transfers reserve assets directly to borrowing members by drawing on the IMF's own holdings of SDRs in the General Resources Account.

7.9.1 India has agreed to participate in the FTP of the IMF with effect from the quarter Sept-Nov 2002. Effective participation in the FTP made India a creditor member with the IMF. Under this, India is asked to make a purchase (issuance of credit) or a repurchase (debt servicing by our debtor) under the FTP. By participation in FTP, India is allowing IMF to encash its rupee holdings as part of India's quota contribution, for hard currency which is then lent to other member countries who are debtors to the IMF.

7.10 Article IV Consultations

7.10.1 Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year, to review the economic status of the member countries. Article IV Consultations are generally held in two phases. During this exercise the IMF mission holds discussions with the RBI and various line Ministries/Departments of Central Government. The Article IV Consultations are concluded with a meeting of IMF Executive Board at Washington DC which discusses the Article IV Report. The last round of annual Article IV Consultations with the IMF Staff in India were held in during November 20-26, 2013.

7.11 Asian Development Bank Related Activities

7.11.1 Membership of ADB

7.11.1.1 India is a founding member of Asian Development Bank (ADB) that was established in 1966. The Bank is engaged in promoting economic and social progress of its developing member countries (DMCs) in the Asia Pacific Region. ADB's authorized & subscribed capital stock is US\$163.12 billion of which India's subscription is US\$10.3 billion. India is holding 6.33% of shares, totaling 672,030 shares with 5.36% voting rights. Payment of US\$17,295,198.68 (₹ 16.4 crores) in cash and Promissory Note of ₹ 172,83,09,203.12 has been done to ADB in October 2013 as the fourth installment of the GCI-V.

7.11.2 46th Annual Meeting of ADB was hosted by India

7.11.2.1 India successfully hosted the 46th Annual Meeting of ADB during 2-5 May, 2013 in New Delhi. The Annual meetings are statutory occasions for Governors of ADB members to provide guidance on ADB administrative, financial, and operational directions. The theme of the Annual Meeting- 'Development through Empowerment'- provided an opportunity for stakeholders to discuss various approaches that would foster broad-based benefits and opportunities for all. The knowledge sharing and partnership events program featured distinguished speakers and generated a high level of interest and enthusiasm over a range of development and economic topics. The meeting gathered nearly five thousand participants, including finance ministers, central bankers, policy makers, business leaders, renowned academics, civil society organizations, and media, covering all 67 member countries.

7.11.3 Country Partnership Strategy

7.11.3.1 CPS for India covering five year period (2013 to 2017) was approved by ADB Board in October 2013. The CPS 2013-2017 aims to support government's vision of faster, more inclusive, and sustainable growth envisaged under 12th Plan. The indicative resource envelope for sovereign operations is around US\$ 2 billion per annum. The TA program will amount to around \$ 8 million per year. ADB's non-sovereign operations will be in line with the CPS priority areas. ADB's non-sovereign operations will continue to support the infrastructure and finance sectors.

7.11.4 ADB's Portfolio with India

7.11.4.1 ADB assistance to India commenced in 1986. Average annual lending increased from \$586 million between 1986-96 to \$905 million between 1997-2002, \$1.094 billion between 2003-07 about \$2 billion between 2008-13. ADB assistance of \$2241.5 million has been negotiated in 2013.

7.11.4.2 Over the past decade, ADB has expanded operations beyond the power, transport, and urban sectors into areas focusing on financial inclusion and generation of sustainable livelihoods (e.g. support for reforms in the Rural Cooperatives sector, Khadi and Village Industries sector, and Micro-Small and Medium Enterprises); Skill development, Integrated Water Resources Management with a focus on Climate Change Adaptation (including support for Irrigation, Coastal Zone Management, and Flood Control); Agribusiness Infrastructure Development; and Tourism. ADB assistance has also been extended to States such as Assam, Bihar, Chhattisgarh, Jammu & Kashmir, Jharkhand, Orissa, Uttarakhand, and the North Eastern region which are experiencing constraints due to poverty, low levels of social development, weak capacity, and inadequate infrastructure.

7.11.4.3 The Technical Assistance (TA) program has evolved in line with the loan program. TA support is being used to build capacity, improve project preparedness and implementation, assist the Government's PPP initiative, and undertake scoping studies and knowledge products. Details of ADB's Portfolio in India is at Annex II.

7.11.5 Contribution to TASF

7.11.5.1 ADB has set up the Technical Assistance Special Fund (TASF) for providing technical assistance to Developing Member Countries (DMCs) for capacity building development in the formulation, design and implementation of projects to facilitate effective use of external financing. India is voluntarily contributing to TASF since 1970 and a net of ₹ 12.03 crores has been contributed upto 2012-13. A further contribution of ₹ 1 crore is under process for release in the financial year 2013-14.

7.12 African Development Bank Related Activities

7.12.1 India became the member of the AfDB on 6th December, 1983. India supported 200% General Capital Increase-VI of AfDB, enhancing Bank's capital from UA 23.97 billion to UA 67.687 billion (UA= Unit of Account; 1 UA = 1 SDR). Resultantly, India has been allocated 9,763 new shares (586 paid

up and 9177 callable) having a capital value of UA 97,630,000. India has to pay eight annual instalments of UA 732500 (equivalent to US\$ 10,94,033). In this regard, third instalment has been paid in November, 2013.

7.12.2 India is contributing to African Development Fund since 1974. India's contribution to the Fund up to ADF-12 amounts to UA 79,297,898 with voting power in ADF standing at 0.180% (as of September 2013).

7.12.3 India also contributes to the Multilateral Debt Relief Initiatives (MDRI) of ADF. The total committed amount over the collective period from 2006-2054 is UA 14.11 million (1UA=1SDR). ₹ 10.614 crores has been paid towards India's participation during the 2006-2014.

Annexure I

World Bank's Portfolio in India

As of 31st December, 2013, there are 76 ongoing loans amounting to \$ 20828.2 million. The sector-wise break-up is as under:

Sl No.	Sectors	No. of Loans	US\$ Million	Percentage (%)
1	Agriculture	8	1264.5	11%
2	Disaster Management	2	475	3%
3	Education	3	1080	4%
4	Energy	6	3603.4	8%
5	Environment	6	1335.5	8%
6	Finance	3	582.4	4%
7	Health	6	1294.8	8%
8	Irrigation and Water	10	2826	13%
9	PRI	4	604	5%
10	Rural Development	8	2729.1	11%
11	Rural Water Supply	5	693.9	7%
12	Transport	11	3464.3	14%
13	Urban	4	875.4	5%
	Total	76	20828.2	100%

2. New Loans signed with World Bank during 2013 are as under:

Sl. No.	Project name	Signing Date	IBRD Commit Amt	IDA Commit Amt	Total
1	Karnataka Watershed II	11-Feb-13	0.0	60.0	60.0
2	Bihar PRI	27-Jun-13	0.0	84.0	84.0
3	Kerala State Transport Project II	19-Jun-13	216.0	0.0	216.0
4	National AIDS Control Support Project	18-Jun-13	0.0	255.0	255.0
5	Low-Income Housing Finance	14-Aug-13	0.0	100.0	100.0
6	UP Water Sector Restructuring II	24-Oct-13	0.0	360.0	360.0
7	Tamil Nadu/ Puducherry Disaster Risk Reduction	11-Nov-13	0.0	236.0	236.0
	Total		216.0	1095.0	1311

3. The following loans were negotiated during 2013:

Sl. No.	Project name	Negotiation Date	IBRD Commit Amt	IDA Commit Amt	Total
1	Kerala State Transport Project II	15-Mar-13	216.0	0.0	216.0
2	National AIDS Control Support Project	21-Mar-13	0.0	255.0	255.0
3	Low-Income Housing Finance	25-Mar-13	0.0	100.0	100.0
4	Tamil Nadu/ Puducherry Disaster Risk Reduction	21-May-13	0.0	236.0	236.0
5	UP Water Sector Restructuring II	16-Jul-13	0.0	360.0	360.0
6	National Highways Inter-Connectivity	26-Sep-13	500.0	0.0	500.0
7	Rajasthan Road Sector Modernization	18-Sep-13	0.0	160.0	160.0
8	Uttarakhand Disasater Recovery Project	3-Oct-13	0.0	250.0	250.0
9	Second Gujarat State Highway Project	1-Nov-13	175.0	0.0	175.0
10	RWSS for Low Income States	18-Nov-13	0.0	500.0	500.0
11	Bihar Social Protection	21-Nov-13	0.0	84.0	84.0
	Total		891.0	1945	2836

Annex II**ADB's Portfolio with India**

As of 31st December, 2013, there are 63 ongoing loans amounting to ₹\$8377.08 million. The sector-wise break-up is as under:

Sector	No. of Loans	US \$ Million	%
Agriculture, Environment & Natural Resources	5	216.86	2.59
Energy	22	3297.22	39.36
Finance and Public Sector Management	7	1190.00	14.21
Transport and Communications	9	2234.00	26.66
Urban Development & Multi Sector	20	1439	17.18
Total	63	8377.08	100

New Loans signed with ADB during 2013 are as under:

SN	Project Name	Loan [US\$ million]	Date of signing	Closing date
1	LN-2797-Uttarakhand Urban Sector Development Investment Program - Project 2 [Part of MFF of US\$ 350 million]	100	31/01/2013	31/12/2015
2	LN-2861-Bihar Urban Development Investment Program - Project 1 [Part of MFF of US\$ 200 million]	65	25/03/2013	30/06/2017
3	LN-2881-Rural Connectivity Investment Program- Project-1 [Part of MFF of US\$ 800 million]	252	02/04/2013	30/06/2015
4	LN-2925-J & K Urban Sector Development Investment Program (Project 2) [Part of MFF of US\$ 300 million]	110	16/05/2013	31/03/2017
5	LN-2924-Uttarakhand Power Sector Investment Program – Trnche-4 [Part of MFF of US\$ 300 million]	150	04.06.2013	30.09.2015
6	LN-2882-North Karnataka Urban Sector Investment Program (Project 3) [Part of MFF of US\$ 270 million]	60	19/07/2013	31/12/2015
7	LN-2894-Bihar State Highways II Project – Additional Financing	300	12/08/2013	30/09/2017
8	LN-3040-Uttarakhand State Roads Investment Program – Project-3 [Part of MFF of US\$ 550 million]	150	24/12/2013	30.06.2017

The following loans were negotiated during 2013:

No.	Project Name	Regular /MFF Amount (\$Million)	Regular/ PFR Amount (\$Million)
1	Rajasthan Renewable Energy Transmission Investment Program	300.0	62.0
2	Madhya Pradesh Transmission and Distribution System Improvement Project	350.0	350.0
3	Supporting Human Capital Development in Meghalaya	100.0	100.0
4	Accelerated Infrastructure Investment Facility	700.0	400.0
5	Jaipur Metro Rail Line 1-Phase B Project	176.0	176.0
6	Kolkata Environmental Improvement Investment Program	400.0	100.0
7	Himachal Pradesh Clean Energy Transmission Investment Program –Tranche 2		110.0
8	North Eastern State Roads Investment Program –Tranche 2		125.2
9	Rural Connectivity Investment Program –Tranche 2		275.0
10	North Karnataka Urban Sector Investment Program – Tranche 4		63.3
11	Uttarakhand State Road Investment Program –Tranche 3		150.0
12	Railway Sector Investment Program –Tranche 2		130.0
13	Uttarakhand Emergency Assistance Project	200.0	200.0
	TOTAL	2,226.0	2,241.5

Sector wise breakup of ongoing TAs as on 30th November 2013 is as under:

Sector	No. of TA	US \$ Thousand	%
Agriculture, Environment & Natural Resources	5	7,090.0	10.3
Education	3	3,325.0	4.8
Energy	16	12,010.0	17.4
Finance	3	4,350.0	6.3
Multisector	5	5,075.0	7.4
PPP	5	8,300.0	12.0
Public Sector Management	2	990.0	1.4
Transport	16	18,250.0	26.4
Urban	9	9,650.0	14.0
Total	64	69,040.0	100.0

8. Multilateral Relations Division

8.1 G20:

8.1.1 The G20 rose to prominence during the global financial crisis of 2008-2009, when it played an arguably influential role in cooperation and coordinating international responses to the crisis. Russia took over the G20 Presidency from Mexico on 1st December, 2012. Under the Russian Presidency the three overarching priorities aimed at starting the new cycle of economic growth included: a) Growth through quality jobs and investment; b) Growth through trust and transparency; c) Growth through effective regulation.

8.1.2 Australia took over the G20 Presidency from Russia on 1st December, 2013. Australia's G20 Presidency in 2014 will structure leaders' discussion around the key themes of: a) Promoting stronger economic growth and employment outcomes and b) Making the global economy more resilient to deal with future shocks. As far as the G20 Development Agenda is concerned, the G20 under the Australian Presidency will be addressing ways and means by which economic policies and labour market policies can work together to bolster employment opportunities. The work mandated by G20 Leaders in St. Petersburg on Energy Sustainability would continue under the Australian Presidency.

8.1.3 India and Canada continue to be co-chair of the Framework Working Group, a signature effort of the G20 that will play a pivotal role in the development and coordination of growth strategies by countries. In addition emphasis shall be laid on the importance of considering global financial linkages while making changes to monetary policy by reserve currency issuing countries. India has been instrumental in ensuring that infrastructure is considered by G20 as a key driver of growth. The work on G20 DWG Infrastructure Agenda becomes particularly pertinent for India in 2014 since India will be co-facilitating the work on this agenda in the DWG alongside Korea. India also hopes that the investment and Infrastructure Working Group under the Australian Presidency will be able to help increase the resources of MDBs and enable the recycling of global savings into infrastructure investments.

8.2 BRICS:

8.2.1 Several initiatives under BRICS cooperation in financial sector are under various stages of progress of which setting up of the BRICS New Development Bank, and BRICS Contingent Reserve Arrangement are significant. Tangible results are expected on both these initiatives by the next BRICS Summit to be held in Brazil in July 2014. Significant progress has been made in negotiating key principles and technical specifications of the BRICS New Development Bank where it has been agreed that the BRICS Bank will have an initial subscribed capital upto US \$50 billion from the BRICS countries. The BRICS Contingent Reserve Arrangement will have an initial size of US \$ 100 billion. Individual country commitments in CRA will be as follows: China US \$41 billion; Brazil, India and Russia US \$ 18 billion each; South Africa US \$ 5 billion. Other initiatives under BRICS include: a) BRICS Reinsurance initiative; b) BRICS tax and Customs Cooperation.

8.3 UNDP:

8.3.1 India's annual contribution to the UNDP has been to the extent of US \$ 4.5 million, which is one of the largest from developing countries. The country-specific allocation of UNDP resources is made every five years under the Country Cooperation Framework (CCF) which usually synchronizes with India's five year plans. The new Country Programme (CP) signed between UNDP and MR- IV Section on 1.3.2013 would concentrate on the four UN Development Assistance Framework (UNDAF) outcomes namely: a) inclusive growth and poverty eradication; b) democratic governance; c) sustainable development; d) gender equality and inclusion. The current Country Programme (CP): 2013-17 is in harmony with the 12th Plan's thrust on inclusive growth. It primarily concentrates on the goals namely: democratic governance; poverty reduction; HIV and Gender Equality and inclusion; disaster risk management and energy and environment focusing on nine states that are economically laggard: Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, Assam, Maharashtra and Uttar Pradesh. The total resource allocation for the Indian Country Programme 2013-2017 stands at US \$ 243.4 million.

8.4 SAARC:

8.4.1 The 6th Meeting of SAARC Inter Governmental Expert Group Meeting was held at Kathmandu during 23-24 April, 2013. The Meeting reviewed progress on public debt management and the progress in the field of capital markets of South Asia. The meeting expressed its appreciation to India for its offer of SWAP arrangement with a contribution of US \$ 2 billion for SAARC countries.

8.4.2 The SAARC Development Fund (SDF) Meetings were held in Thimphu, Bhutan on 27-29 May, 2013, Colombo on 26-27 August, 2013 and Kabul on 3-5 December, 2013. About USD 60 million stands committed for 9 projects in the social sector in the SAARC Countries. The new projects sanctioned in 2013-14 include (i) SAARC Regional Inter-professional Master's Program in Rehabilitation Science, (ii) Toll free Helplines for Women and children in SAARC Member States and (iii) Strengthening of Water, Sanitation and Hygiene (WASH) services in selected areas of SAARC Countries. It has been decided to operationalize the infrastructure and economic windows of SDF from 2014-15.

8.4.3 The 6th Meeting of SAARC Finance Ministers and 6th Meeting of SAARC Finance Secretaries together with 3rd SDF Governing Council Meeting was held in Colombo from 29-30 August, 2013. The meeting appreciated the SWAP arrangement for currency put in place by India and noted that Bhutan has already signed an MOU with Reserve Bank of India for US\$ 100 million under the arrangement. It also discussed issues relating to enhancing intra-SAARC trade flows under SAFTA, promotion of intra-regional long term investment, finalization of the Draft SAARC Agreement on Promotion and Protection of Investment and the first phase of the Study on "Regional Economic Integration in SAARC, its current extent and recommendations for further deepening".

9 Administration Division

9.1 Functions

Administration Division is responsible for personnel and office administration, implementation of Official Language policy of the Government, implementation of the Right to Information Act, 2005 Grants-in-aid, redressal of public grievances, training of officials, etc.

9.2 Grants-in –aid

During the year 2013, grants-in-aid of ₹ 25.70 crore were sanctioned to 7 Institutions by Department of Economic Affairs.

9.3 Complaints Committee on Sexual Harassment of Women Employees

In compliance with the Supreme Court's Judgment dated 13 August, 1997 in the Visakha Case relating to preventions of sexual harassment of women at work place, a Complaints Committee for considering complaints of sexual harassment of women employees in Department of Economic Affairs is in existence in the Department.

9.4 Use of Hindi in Official work

All documents in Parliament were provided bilingually. Section 3(3) of the Official Language Act, 1963, and Rule 5 of Official Language Rules, 1976 made thereunder and other instructions issued by the Department of Official Language were fully complied with. A number of steps were taken in the Department to promote the use of Hindi in official work during the year.

- i. Annual programme for the year 2013-14 issued by the Department of Official Language was circulated to all the attached/subordinate offices/divisions /sections under the Department and all efforts were made to achieve the targets fixed therein;
- ii. The meeting of the Hindi Salahkar Samiti of the Department of Economic Affairs (including Department of Financial Services) was held on 26th June, 2013 under the Chairmanship of Hon'ble Minister of State (E&FS). Compliance of the decisions taken therein was ensured;
- iii. In order to remove the hesitation amongst officials to do their official work in Hindi and to acquaint them with the rules and other instructions regarding the Official Language policy of the Government, Hindi workshops were organized. The participants were given rewards and reference and helping literature;
- iv. Hon'ble Minister of Finance in his "Message" on the auspicious occasion of Hindi day on 14th September, 2013 appealed to the officers and staff of the Ministry of Finance as well as the Offices under its control to do their official work in Hindi;
- v. To create a conducive atmosphere in the Department regarding the progressive use of Hindi, Hindi Month was celebrated during 1st to 30th September, 2013;
- vi. The authors under the Scheme of incentives on Original Book writing in Hindi on Economic subjects are awarded the first, second and third prizes of ₹ 50,000/-, ₹40,000/- and ₹30,000/- respectively. The scheme is continued;
- vii. The website of the Department is bilingual. Besides other material, all Budget documents, Economic Survey and other publications and important circulars are uploaded simultaneously in Hindi and English;
- viii. In order to review the position of implementation of Official Language, Security Papers Mill, Hoshangabad was inspected by the Parliamentary Committee on Official Language and action on the assurances given to the Committee was taken.
- ix. Some of the sections of the Department and other offices under its control were inspected to see the extent upto which the Official Language Act, the rules made thereunder, the Annual Programme and the orders and instructions etc. relating to Official Language are being complied with ; and
- x. Meetings of the Official Language Implementation Committee of the Department were held regularly in which the progress of implementation of Official Language policy was reviewed and appropriate action on the suggestions given therein was taken.

9.5 Finance Library & Publication Section 2013-14

Finance Library & Publication Section was established in 1945. Finance Library functions as the Central Research and Reference Library in the Ministry and caters the needs of Officials of all the Departments, Ad-hoc Committees and Commissions set from time to time and research scholars from the various universities in India as well as abroad. This Library also serves as the Publications Section of the Ministry, coordinating in the procurement and distribution of official documents with the various institutions/ individuals on demand in India and abroad.

Finance Library has been categorized as Grade III Library on the basis of Department of Expenditure's O.M. No. 19(1)/IC/85 dated 24.07.1990. All the posts in the library are ex cadre posts.

9.6 Collection

Library has specialized collection of more than two lakh documents on Economic and Financial matters and subscribe to more than 800 periodicals/newspapers annually.

9.7 Electronic Resources

- Electronic resources include the following CD-ROM databases
- DDO Manual

- DGCI&S - Foreign Trade Statistics of India
- DGCI&S - Statistics of foreign Trade of India
- DGCI&S - Monthly Statistics of Foreign Trade of India
- Government Accounting Rules, 1990
- IMF - Balance of Payments Statistics
- IMF - Direction of Trade Statistics
- IMF - Government Finance Statistics
- IMF - International Financial Statistics
- India - Civil Accounts Manual, rev. 2nd edition, 2007
- India - Economic Survey
- India - Pay Commission Report (1st, 3rd, 5th and 6th)
- India- Union Budget
- List of Major and Minor Heads of Accounts
- RBI – Banking Statistics & Basic Statistical Returns
- Receipts and Payments Rules
- The World Bank - World Development Indicators
- The World Bank - Global Development Finance
- UN- International Trade Statistics Year Book
- Vigilance Manual

9.8 Services

Library provides different kinds of services viz. lending, inter-library loan, consultation, reprographic, circulation of newspapers and magazines, reference service, current awareness service through “WEEKLY BULLETIN” as well as providing services through e-mail. The Finance Library also undertakes the work of distribution of publications of Ministry of Finance and Reserve Bank of India to State Governments, Foreign Governments and renowned institutions in India as well as abroad.

A useful link is also being provided on intranet by the Library which helps the readers in search and download full text of reports and data.

The Finance Library also undertakes the work scanning the public grievances appearing in the leading newspapers relating to the Department of Economic Affairs.

9.9 Publications

Finance Library compiles one (print + online) weekly publication i.e. “Weekly Bulletin” a subject bibliography indexing articles of interest from journals received in the library.

The Library has entered into an agreement with JSTOR to provide online access to about 200 full-text journal archives related to Economics

9.10 Digital Records:

Finance Library also undertook a project in which the full text of Ministry of Finance, Gazette Notifications [published in the Pt. 2 Sec. 3 Sub-section (i) (ordinary)] for the year 1966 to 1970 have been digitized.

9.11 Computerisation

The Library has computerized almost all its activities. The Library uses LIBSYS Library package for database management, retrieval, Library automation and other in-house jobs. The internet facility is also available in the library through which information is provided to the officers of Ministry of Finance.

Accessibility of the online data is concern; a link from internet site “finance.nic.in” is made available to access the information.

10. Aid Accounts & Audit Division (AAAD)

10.1 Introduction

AN ISO 9001:2008 Certified Division AAAD is a part of the External Finance Wing of the Department of Economic Affairs. Back office function relating to External Loans/Grants obtained/received by Government of India from various Multilateral and Bilateral donors is being discharged by this Division. Main functions handled by this Division include, Processing claims received from Project Implementing Authorities (PIAs), arranging draw down of funds from various donors and timely discharge of debt service liability of Government of India. Besides, this Division is responsible for maintaining loan records, External Debt Statistics, Compilation of various Management Information Reports, Publication of External Assistance Brochure on annual basis, and framing of Budget Estimates of External Aid Receipts and Debt Servicing. In addition, audit of Licences issued by the Offices under Director General of Foreign Trade (DGFT) for Export Promotion is also conducted by this Division.

10.2 Performance/Achievements upto last year

External receipts on Government Account during financial year 2012-13 in the form of loans/credits were of ₹ 19,741.26 crore while, Assistance in the form of Cash Grant was of ₹ 2,173.16 crore.

10.3 Performance/Achievements during current financial year.

Receipt of External Loans/Credits in the current financial year 2013-14 (From 1st April 2013 to 31st December, 2013) stands at ₹ 15,144.28 crore and Assistance in the form of Cash Grant was of ₹ 2,114.83 crore.

10.4 E-Governance

10.4.1 The Activities of AAAD have been fully computerized since April 1999. A software known as "Integrated Computerised System" (ICS) has been developed. This covers all the activities in the loan cycle i.e. preparation of Estimates for External Assistance for receipt as well as repayment, preparation of Annual External Assistance Brochure, processing of claims, repayment of debt and maintenance of Debt Records. All the Officers/Staff members of this Division are well versed with the functioning of this system. The computerized system being used in this Division required some extra features to make the reporting more robust. The system has been updated during the current financial year in view of the requirement of using multiple selections to provide input/data for preparation of replies for Parliament Questions etc. The new formats allow generating various reports using multiple selections.

10.4.2 A comprehensive Web-site <http://aaad.gov.in> to disseminate data on External Assistance received and repayment made alongwith status of various activities in this Division is operational for the benefit of Credit Divisions of DEA, Central Ministries, State Governments, PIAs, External Agencies, General Public and other stakeholders. This Website is updated on daily basis and virtually provides real time figures (time-lag of 24 hours). In addition comprehensive data about Disbursed and Outstanding Debt (DOD) in respect of External Sovereign Borrowing is also available on this website. Soft copies of Annual External Assistance Brochure being published by this Division are also available on the website for easy reference of all the stakeholders.

10.4.3 E-Governance by way of accepting and processing/forwarding of the draw down claims from various PIAs has been initiated by this Division. Wherever PIAs have been provided software support for processing the e-claims they submit e-claims to this Division (World Bank and ADB claims). Such software is being utilized by the PIAs to the maximum extent. In case of E-claims, SOE/Interim Unutilised Financial Report (IUFR), claims from PIAs to this Division are being accepted. This results in avoidance of time/transit loss and faster disbursements. In case of World Bank, claims are processed in E-disbursement mode through the World Bank's software/client connection from this Division to World Bank.

10.4.4. In order to familiarise the officers/staff of the PIAs, training on E-submissions are being organized by this Division from time to time since last few years. In this series, 15 officers/staff members of different PIAs were imparted trainings during current financial year i.e. 2013-14. As a result of initiatives taken by this Division, 204 claims have been received in the current financial year from PIAs to this Division through E-mode.

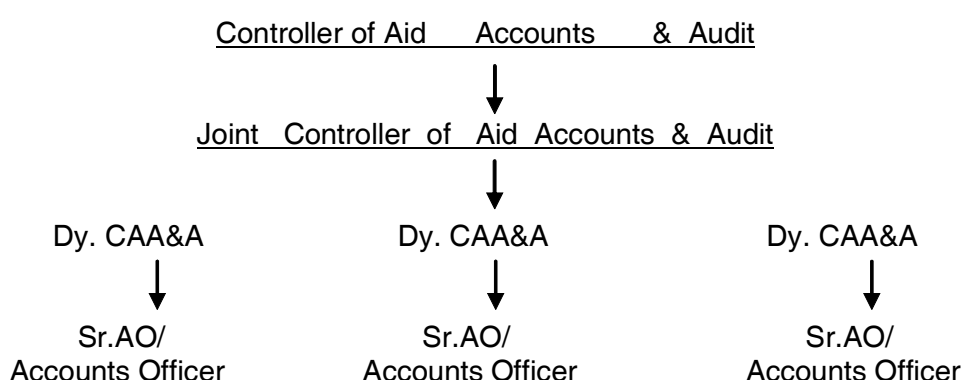
10.5 Standards & Improvements in the Service deliveries

10.5.1 All the activities of this Division have been organised hierarchically and standards in terms of time span at each level for their accomplishment have been defined. The standards set out are being adhered to by close monitoring. Stakeholders of this Division are well defined consisting of three broad groups i.e. PIAs, External Funding Agencies and others. Service to be rendered to these groups is also well defined i.e. smooth and quick disbursement of the Loans/Grants, timely debt servicing and to provide management information as and when required.

10.5.2 To ensure continuous improvement in the performance standards, quarterly Management Review Meetings (MRMs) are being held. In MRMs performance is critically reviewed and methods/suggestions for maintenance/improvement of the service delivery standards are discussed by the management.

10.5.3 Above system is being followed with a view to ensure quality service delivery in a defined time frame.

Organisation Chart of the Division



11. Bilateral Cooperation Division.

11.1 Europe-I Section

India-UK Bilateral Development Cooperation Programme

11.1.1 United Kingdom (UK) has been providing development assistance to India since 1958 through its Department for International Development (DFID), Development assistance from UK is received mainly for achieving the Millennium Goal (MDG) in the areas of health, education administrative reforms, slum development etc.

11.1.2 UK has committed to provide development assistance to the extent of £ 920 million during the current phase of its operational plan from 2011-12 to 2014-15.

11.1.3 During 2013-14, seven project agreements for technical assistance of £ 77.90 million have been signed. The Department of Economic Affairs has also accorded approval to DFID for implementing three projects with an investment of £ 125.5 million under the Private Sector Development initiative

11.2 Europe-IV

11.2.1 During annual Negotiation Meeting held on 22.7.13 at New Delhi, Government of Germany committed funds amounting to Euro 1.09 billion for bilateral development cooperation. This is highest ever commitment so far since 1958. The Umbrella Agreement on financial cooperation pertains to concessional loans from Government of Germany for nine projects namely Himalaya Hydropower Programme (HPPCL), Green Energy Corridors, Promotional Programme for Energy Efficient New Residential Housing-II (NHB), Energy Efficiency in Thermal Power Plants (WBPDCCL), Affordable Housing Programme (NHB), New Approaches Microfinance and Microenterprise Finance (SIDBI), Missing Middle Programme (SIDBI), Madhya Pradesh Urban Sanitation and Environment Programme and Himachal Pradesh Forest Ecosystems Climate Proofing Project. The Umbrella Agreement for technical cooperation pertains to thirteen projects in Energy, Environment and Sustainable Economic Development sectors.”

11.3 North America Section:

11.3.1 Third Sub-Cabinet Level Meeting under Indo-US Economic and Financial Partnership was held on March 22, 2013 in Washington DC. This meeting was co-chaired by Secretary (EA) and US Under Secretary of the Treasury for International Affairs. In the meeting, issues pertaining to macroeconomics, financial inclusion, investment, infrastructure finance, etc. were discussed.

11.3.2 The inaugural meeting of Indo-Canada Economic and Financial Sector Policy Dialogue was held on July 9, 2013 in Ottawa, Canada. The Dialogue was co-chaired by Secretary (EA) and Mr. Jean Boivin, Associate Deputy Minister of Finance, Canada. In the meeting, issues pertaining to banking, insurance and investment were discussed.

11.3.3 Finance Minister visited US during July 9-12, 2013. During his visit, FM met Mr. Jack Lew, US Treasury Secretary on July 12, 2013 in Washington. During the meeting, he discussed issues such as Bilateral Investment Treaty (BIT), Transfer Pricing, Totalization Agreement, Foreign Accounts Tax Compliance Act, Preferential Market Access, Anti-Money Laundering and Financial Action Task Force. He met US Trade Representative, Mr. Michael Froman and discussed matters such as Local Content Requirements under the Solar Mission, BIT, Bilateral Trade, etc.

11.3.4 FM met top executives of leading US companies such as Microsoft, WalMart, Lockheed Martin International, International Lease Finance Corporation, Boeing, on July 10-11, 2013 in Washington. FM delivered a keynote address in the 38th USIBC Annual Leadership Summit in Washington on July 11, 2013. He also met Senators and Congressmen during the visit. FM led the India side in the Indo-US CEO Forum meeting on July 12, 2013 in Washington.

11.3.5 Fourth Indo-US Economic and Financial Partnership Dialogue was held on October 13, 2013 in Washington DC and was led by FM from the Indian side and US Treasury Secretary Jack Lew and Federal Reserve Chairman, Ben Bernanke from the US side.

11.4 Japan Section

Official Development Assistance from Government of Japan

11.4.1 Japan has been extending bilateral loan and grant assistance to India since 1958. **Cumulative commitment** of Japanese ODA loan to India has reached **Yen 4095.471 billion** on *commitment* basis for two hundred and thirty nine individual loan agreements till January 31, 2014.

11.4.2 In the calendar year 2013, Government of Japan has committed JICA ODA loan for the following projects:

- i) Dedicated Freight Corridor Project (Phase 2 (II)) JPY 136.119 bln.
- ii) Chennai Metro Project (III) JPY 48.691 bln.
- iii) Bihar National Highway Improvement Project (Phase 2) JPY 21.426 bln.
- iv) West Bengal Piped Water Supply Project (Purulia) JPY 14.225 bln.
- v) Campus Development Project of Indian Institute of Technology, Hyderabad (Phase 2) JPY 17.703 bln. and
- vi) Tamil Nadu Investment Promotion Programme JPY 13.000 bln.

11.5 CIE-II Section:

11.5.1 .During the year 2013 (i.e. April, 2013 to December 2013), following proposals for extension of GOI supported lines of credit to be routed through the Exim Bank of India have been approved:

11.5.2 Non-African Countries:

- (i) US\$ 155 million credit line to the Government of Myanmar
- (ii) US\$ 5.0492 million credit line to the Government of Cuba
- (iii) US\$ 36.92 million credit line to the Government of Cambodia

(iv) US\$ 26.50 million credit line to the Government of Honduras

(v) US\$ 30.94 million credit line to the Government of Lao PDR

11.5.3 African Countries:

(i) US\$ 300 million credit line to the Government of Ethiopia

(ii) US\$ 42.61 million credit line to the Government of Benin

(iii) US\$ 46 million credit line to the Government of Mauritius

(iv) US\$ 47 million credit line to the Government of Mozambique

(v) US\$ 120.05 million credit line to the Government of Rwanda

(vi) US\$ 144 million credit line to the Government of Liberia

(vii) US\$ 30 million credit line to the Government of Sierra Leone

(viii) US\$ 5 million credit line to the Government of Ghana

(ix) US\$ 34.54 million credit line to the Government of Niger

12 Integrated Finance Division

The Integrated Finance Division is headed by the Additional Secretary & Financial Advisor of the Ministry of Finance. The Division services the Department of Economic Affairs (DEA) and also the Department of Financial Services (DFS).

12.1 The Division is responsible for the following functions:

12.1.1 Tendering financial advice/examination for concurrence to proposals involving expenditure in respect of DEA and DFS as well as their attached and subordinate offices e.g. Security Appellate Tribunal (SAT)/National Savings Institute/ Financial Sector Legislative Reforms Commission (FSLRC)/ Fourteenth Finance Commission (14thFC)/G-20 Secretariat/ Office of Special Court, Mumbai/ Office of Custodian/ Appellate Authority for Industrial and Financial Reconstruction/ Board for Industrial and Financial Reconstruction/ Debt Recovery Tribunals and Office of Court Liquidator, Kolkata.

12.1.2 Exercising expenditure control and management, ensuring rationalization of expenditure and compliance of economy measures in accordance with the instructions of the Department of Expenditure including regular monitoring of expenditure through monthly/Quarterly reviews and submission of reports to the concerned Secretaries.

12.1.3 The Division also administers two Detailed Demands for Grants i.e. Grant No.33-Department of Economic Affairs and Grant No.34-Department of Financial Services. This involves finalizing the Budget Estimates/ the Revised Estimates/estimating final requirements/ surrender of savings, re-appropriations and vetting of Head wise Appropriation Accounts.

12.1.4 Coordination of and the printing of the Detailed Demand for Grants (DDG) for the entire Ministry of Finance.

12.1.5 Coordination of all matters relating to the examination of the DDG of the year by the Parliamentary Standing Committee on Finance.

12.1.6 Coordination, compilation, printing and laying of the 'Outcome Budget' of the Ministry of Finance in Parliament, as also monitoring Outcome Budget targets of different units in the Departments of Economic Affairs and Financial Services.

12.1.7 Monitoring replies to the PAC/C&AG Audit Paras.

12.1.8 Budgetary position regarding the Grants administered by the Division is given below:

Budgetary allocation of the Grants (on net basis).

(₹ in

Grant		BE 2013-14	RE 2013-14	Exp. up to December, 2013	% of Exp. up to December, 2013 w.r.t. RE
33-Department of Economic Affairs	Plan	4040.00	5630.45	2463.33	43.75
	Non Plan	25837.38	4975.25	3159.01	59.15
	Total	29877.38	10605.70	5622.34	53.01
34 – Department of Financial Services	Plan	16088.00	18188.00	15977.99	87.85
	Non Plan	7281.39	7391.70	5526.73	74.77
	Total	23369.39	25579.70	21504.72	84.07

Crore)

The best practices followed for effective expenditure control included:

- Expenditure progress reviewed monthly with Major Head/Scheme wise details with concerned Secretaries.
- The Major Head wise and Scheme wise expenditure progress as compared to BE figures, posted on the web-site of the Ministry of Finance.
- Strengthening of internal control mechanism by getting internal audits undertaken.
- Monthly monitoring of Major Schemes/Programmes of Department included in the Outcome Budget.

12.2 Achievements

The financial progress in respect of Schemes included in the “Outcome Budget 2013-14” are given below:-

Sl. No.	Name of the Scheme	BE 2013-14	RE 2013-14	Exp. Upto Dec., 2013	% w.r.t. RE 2013-14
1	Major Head 3054 -Contribution for Railway Safety Works against additional levies on Motor Spirit and High Speed Diesel. (Plan Scheme)	1102.45	1102.45	826.83	75.00
2	Major Head 5475-Assistance for Infrastructure Development Public Private Partnership (PPP) in Infrastructure (Plan Scheme).	678.00	678.00	256.00	37.76
3	Major Head 3475 - Interest Equalization Support to Exim Bank of India. (Non-Plan)	416.5	416.5	318.37	76.44
4	Major Head 3605 -Technical and Economic Cooperation with other countries, Technical aid to South East Asia under the Colombo Plan; Contribution	0.50	0.50	0.08	16.00

12.2.1 Grant No. 33- Department of Economic Affairs

(₹ in

Crore)

Sl. No.	Grant No. 34- Department of Financial Services Name of the Scheme	BE 2013-14	RE 2013-14	Exp. up to Dec., 2013	% w.r.t. RE 2013-14
1.	Major Head 2235 – Payment to Life Insurance Corporation of India for Pension Plan for Senior Citizens	134.23	115.81	0.00	0.00
2.	Major Head 2235 – Swavalamban Scheme	170.00	155.00	36.34	23.45
3.	Major Head 2235 – Government's contribution to Aam Aadmi Bima Yojana	5.01	4.51	4.50	99.78
4.	Major Head 2416 – Interest subvention for providing short term credit to farmers.	6000.00	6000.00	5400.00	90.00
5.	Major Head 2416 – Grants in aid to NABARD for Women's Self Help Groups (SHGs) Development Fund - (Plan)	100.00	100.00	0.00	0.00
6.	Major Head 2885 – Payment of subsidy to Nodal Agency i.e. National Housing Bank	200.00	80.00	0.00	0.00
7.	Major Head 3465 – Transfer to Securities Redemption Fund towards subscription in the Rights issue of equity share of State Bank of India	625.00	625.00	0.00	0.00
8.	Major Head 4416 – Recapitalisation of Regional Rural Banks (RRBs) - (Plan)	88.00	88.00	27.99	31.81
9.	Major Head 4416 – Subscription to Share Capital of NABARD – (Plan)	700.00	700.00	700.00	100.00
10.	Major Head 4885- Subscription to the share capital of India Infrastructure Finance Company Ltd. (IIFCL) - (Plan)	400.00	400.00	400.00	100.00
11.	Major Head 4885 – Subscription to the share capital of EXIM Bank - (Plan)	700.00	700.00	700.00	100.00
12.	Major Head 5465 – Recapitalisation of Public Sector Banks (PSBs) - (Plan)	14000.00	14000.00	13050.00	93.21

Chapter II

Department of Expenditure

1. Functions and Organisational Structure

The Department of Expenditure is the nodal Department for overseeing the public financial management system in the Central Government and matters connected with State finances. The principal activities of the Department include pre-sanction appraisal of major schemes/projects (both Plan and non-Plan expenditure), handling the bulk of the Central budgetary resources transferred to States, implementation of the recommendations of the Finance and Central Pay Commissions, overseeing the expenditure management in the Central Ministries/Departments through the interface with the Financial Advisors and the administration of the Financial Rules/Regulations/Orders through monitoring of Audit comments/observations, preparation of Central Government Accounts, managing the financial aspects of personnel management in the Central Government, assisting Central Ministries/Departments in controlling the costs and prices of public services, assisting organizational re-engineering through review of staffing patterns and O&M studies and reviewing systems and procedures to optimize outputs and outcomes of public expenditure. The Department is also coordinating matters concerning the Ministry of Finance including Parliament-related work of the Ministry. The Department has under its administrative control the National Institute of Financial Management (NIFM), Faridabad.

1.1 The business allocated to the Department of Expenditure is carried out through its Establishment Division, Plan Finance-I and II Divisions, Finance Commission Division, Staff Inspection Unit, O/o Chief Advisor Cost, Controller General of Accounts and the Central Pension Accounting office.

2. Establishment Division

2.1 The Establishment Division works under the Joint Secretary (Personnel) and deals with matters related to determination of salary structure and service conditions of all Central Government employees including recommendation of Sixth Central Pay Commission, wage, policy determination, revision of pay scales, creation of posts, basic principles of fixation of pay, pay research, House Rent Allowance, Travelling/ Daily Allowance, Dearness Allowance, various other compensatory allowances in respect of Central Government employees, productivity linked bonus, General Financial Rules, Delegation of Financial Power Rules, Staff Car Rules, Screening Committee Proposal, Economy Instructions etc. It is also responsible for administrative matters concerning the Department of Expenditure.

2.2 The Department of Expenditure issues instructions/directions on preparation of outcome budget, which indicated the physical dimensions of the financial budget as also the actual performance of the following year. A compilation of outcome budgets of flagship schemes is also presented to the Parliament.

2.3 With a view to containing the non-developmental expenditure and releasing additional resources for priority schemes, Ministry of Finance has been issuing guidelines on expenditure management and economic measures and rationalization of expenditure from time to time. Such measures are intended at promoting fiscal discipline without restricting the operational efficiency of the Government. The last such instructions were issued on 18th September, 2013. The Government has set up the Seventh Central Pay Commission under chairmanship of Shri Justice Ashok Kumar Mathur, Retired Judge of the Supreme Court.

3. Plan Finance-I Division

3.1. State Plan Schemes

Central assistance is provided to State Governments for the implementation of various State Plan Schemes. Apart from Normal Central Assistance and Special Central Assistance (untied), funds are provided to the State Governments under various regular Plan schemes such as National Social Assistance Programme (NSAP), Accelerated Irrigation Benefit Programme (AIBP), Jawaharlal Nehru National Urban Renewal Mission (JNNURM), etc under Demand No.36.

3.2 Grant-in-Aid Recommended by FC – XIII

FC XIII for its award period from 2010-2015, recommended grant-in-aid of ₹ 3,18,581 crore for the States. FC XIII has inter-alia recommended GIA for Implementation of model GST: ₹ 50,000 cr; Local bodies: ₹ 87,519 cr; Disaster relief: ₹ 26,373 cr; Non-Plan Revenue Deficit : ₹ 51,800 cr; Performance

Incentive: ₹ 1,500 cr; Elementary Education: ₹ 24,068 cr; Environment: ₹ 15,000 cr; Improving outcomes: ₹ 14,446 cr; Maintenance of Roads & Bridges: ₹ 19,930 cr; and State-specific needs: ₹ 27,945 cr.

For the year 2013-14, as against an allocation of ₹ 62,134.40 crore, an amount of ₹ 34,672.42 crore has been released till 31.12.2013. The FC-XIII has recommended grant of ₹ 3,18,581 crore for States over its award period, 2010-15. The release of grant is subject to fulfilment of prescribed conditions, including the receipt of utilization certificates. The release position as on 31.12.2013 is given in Table below:

(₹ in Crore)

Sl. No.	Category	Total Grant (2010-15)	2013-14	
			Allocation	Released (As on 31.12.2013)
1	Post devolution Non-plan Revenue Deficit.	51800	10074.00	8395.83
2	Local Bodies	87519	22972.46	8851.57
3	Maintenance of Roads and Bridges	19930	5175.00	4147.00
4	State Specific Needs	27945	6723.75	1197.23
5	Disaster Relief (SDRF and for capacity building)	26373	5520.17	4500.18
6	Performance incentive	1500*	0.00	0.00
7	Elementary Education	24068	5540.00	4895.00
8	Environment	15000	2500	950.48
9	Governance	14446	3629.02	1735.13
10	Implementation of model GST	50000	0.00	0.00
	Total	318581	62134.40	34672.42

* FC-XIII has recommended Performance Incentive grant for 2010-11, 2011-12, & 2012-13.

3.3 National Disaster Response Fund (NDRF) and State Disaster Response Fund (SDRF)

The Assistance from NDRF which is a Cess-backed fund, covers severe calamities like Cyclone, Drought, Cold Wave/Frost, Earthquake, Fire, Flood, Tsunami, Hailstorm, Landslide, Avalanche, Cloud Burst and Pest Attack. NDRF assistance is meant for immediate relief. Long term reconstruction of assets is not financed through NDRF, but through overall development plans of the Centre and States.

Budget provision of ₹ 4800.00 cr. for NDRF has been made in 2013-14. Up to 31-12-2013, ₹ 3202.43 cr. has been released. Budget provision for Centre's share of SDRF for 2013-14 is ₹ 5415.17 cr., out of which ₹ 4468.18 cr. has been released up to 31-12-2013.

3.4 State Finances

Thirteenth Finance Commission has laid out a revised fiscal consolidated road map for States. At the aggregate level, States are to eliminate their revenue deficit and reduce their fiscal deficit to 3 % of GDP, latest by 2014-15. By 2014-15, States should also bring down their outstanding debt to 24.3% of GDP, from a level of 27% in 2008-09.

There is improvement in States fiscal position which is, inter-alia, associated with the enactment of FRBMAs by all the States and a result of buoyant tax transfers by the Union Government and the debt consolidation package recommended by 12th and 13th Finance Commission for State Government liabilities due to the Union. Further, interest relief on NSSF loans has been extended to eligible States for 2010-11 and 2011-12. Interest relief on NSSF loans has been extended to 15 States for 2012-13 and 19 States for 2013-14 on a provisional basis based on fiscal compliance as reflected in Budget Estimates. Write off of Central loans as outstanding on March 31, 2010 advanced to States for CSS/CPS has been extended to the extent of ₹ 2050.10 crore in 2011-12 and ₹ 220.83 crore in 2012-13. Further an amount of ₹ 63.69 crore has been provided in 2nd batch of Supplementary Demands for residual amount to be written off during 2013-14.

3.5 All States 2013-14 (BE) Indicates:

- Aggregate revenue surplus is about 0.49% of GSDP, ahead of the FC-XIII projections of Revenue Deficit of 0.1%.
- Aggregate fiscal deficit is at 2.11% of GDP as against the target of 2.4% set by the FC-XIII.
- Aggregate debt to GDP ratio is 20.9%, well within FC-XIII's target of 24.8%.

Thus, the States in aggregate have been able to achieve the targets set by FC-XIII ahead of the FRBMA requirements.

4. Plan finance-II Division

Plan Finance-II Division is primarily concerned with matters relating to the Central Plan. In respect of development schemes and projects, the focus has been on improving the quality of development expenditure through better project formulation, emphasis on outputs, deliverables, impact assessment and convergence.

4.1 During the calendar year 2013, (1st January, 2013 to 31st December, 2013) 86 EFC Meetings and 5 PIB Meetings were held. The appraisal and approval of almost all the 12th Plan schemes is complete.

4.2 Plan Finance-II Division also deals with financial restructuring of Central PSUs on the recommendations of Bureau for Restructuring of Public Sector Enterprises (BRPSE). It is also actively involved in working out modalities for financial assistance to CPSEs, quantification of I&EBR generation for preparation of budget, finalizing modernization of Plants & Equipments to ensure more efficiency in production. It is also the Secretariat of National Clean Energy Fund, in respect of which guidelines for appraisal/approval of the project have been issued.

4.3 Issues relating to Food, and Petroleum subsidies, including their quantification and quantification and extension of assistance to the Stake holders are also dealt with in Plan Finance-II Division. The Division is actively involved, along with the concerned Department/Ministry, in shaping subsidy policy of the Government so as to ensure effective targeting coupled with minimum burden on the Government.

5. Integrated Finance Unit (IFU)

5.1 The Integrated Finance Unit works under Additional Secretary & Financial Adviser (Finance) and deals with the expenditure and Budget related proposals under Grant No. 39- Department of Expenditure which includes (i) Secretariat General Services covering the establishment budget for the Department of Expenditure, Controller General of Accounts, Central Pension Accounting Office, Finance Commission Division, Staff Inspection Unit, Cost Accounts Branch and Chief Controller of Accounts; and (ii) Other Administrative Service covering the budget for Institute of Government Accounts and Finance, National Institute for Financial Management; Contribution to International Body (AGAOA) and the budget relating to payment of service charges to the Central record keeping Agency for the New Pension Scheme.

5.2 The Unit also monitors the expenditure under Grant No.40 – Pension; and Grant No.41 – Indian Audit & Accounts Department.

6. Public Procurement Policy Division

6.1 A Public Procurement Cell (PPC) was set up in this Department in June, 2011 to take follow up action on the Report of the Committee on the Public Procurement (CoPP) and drafting of the Public Procurement Bill and other related matters such as drafting of rules and settlement of a Central Public Procurement Portal. The Public Procurement Bill 2012 is under examination by the Parliamentary standing Committee on Finance.

6.2 Pursuant to the recommendations of the Committee on Public Procurement (CoPP), a Central Public Procurement Portal (CPP Portal) has been set up for providing comprehensive information and data relating to public procurement and is accessible at www.e-procure.gov.in. It is being used at present by various Ministries/Departments. CPSEs and autonomous/statutory bodies, e-Publishing of tender enquiries, corrigenda thereto and details of contracts awarded thereon, on the Portal has been made mandatory in a phased manner w.e.f. 1st January 2012.

6.3 Further, it has also been decided to implement e-Procurement in Ministries/Departments of the Central Government and instructions have also been issued to all Ministries/Departments to commence e-procurement in respect of all procurements with estimated value of ₹ 10 lakh or more in a phased manner. Use of e-procurement would enhance transparency and accountability and make procurement more efficient. This would also help in monitoring delays and reducing the procurement cycle.

7. Staff Inspection Unit (SIU)

The Staff Inspection Unit (SIU) was set up in 1964 and is functional in the Department of Expenditure, Ministry of Finance with the objective to review the staffing of Government establishments through a programme of inspections with a view of rationalisation of posts and also evolved performance standards and work norms. SIU also looks into work simplification in improving organisational effectiveness without sacrificing efficiency. The Financial Advisors are main links between the SIU and the Administrative Ministries. All request for staffing studies by SIU are routed through the concerned FAs. The study reports are issued after discussion with the management of the organisation studied and are regarded as mandatory required to be implemented by the concerned organisation within the stipulated period of three months. The Scientific and Technical organisation are not within the purview of SIU and these organisations are studied by SIU as a core member.

During the year 2013-14, SIU has completed staffing study of Coconut Development Board, Ministry of Agriculture covering the sanctioned strength of 272 posts and some others are in progress.

8. Controller General of Accounts (CGA)

The Controller General of Accounts is an apex accounting authority of the Central Government exercising the powers of the President under Article 150 of the Constitution for prescribing the form of accounts of the Union and State Governments on the advice of Comptroller and Auditor General of India.

The office of the Comptroller General of Accounts is responsible for monthly consolidation of the Union its sources of financing are presented to the Union Finance Minister every month. A detailed analysis of the monthly trend of receipts, payments, deficit and functioning, an abstract of the Union Government Accounts is also released every month on the Internet. The data can be accessed at the website <http://www.cga.nic.in>

CGA's office also prepares Provisional Accounts of the Government of India within two months of completion of the financial year. It undertakes reconciliation of Reserve Bank Deposit and Public Sector Banks Suspense, Authorization and Change of Accredited Banks for handling Government transactions i.e. Civil and Non-Civil Ministries/Departments, holding Standing Committee Meetings, APEX Committee Meetings and Private Sector Bank Meetings to review the handling of Government transactions by Banks Accredited to Civil and Non-Civil Ministries/Departments and disposal of related matters received from different Banks/Ministries/Departments.

8.1 Plan Financial Management System

Plan Financial Management System (PFMS) is a Central Sector Plan Scheme of the Planning Commission and is being implemented by the Office of Controller General of Accounts in partnership with the National Informatics Centre (NIC).

- PFMS is a web-based online transaction system for fund management and e-payment to implementing agencies and beneficiaries.
- The primary objective of PFMS is to establish an efficient fund flow system for Plan Schemes of the Government of India.
- It also provides various stakeholders with a reliable and meaningful management information system and an effective decision support system.
- The system is envisaged as an end to end solution for fund management of Plan Schemes of the Government.

The Union Cabinet has approved the national roll out of Plan Accounting and Public Finance Management System (PA&PFMS) also known as Central Plan Scheme Monitoring System(CPSMS) over a period of four years till 2017 with a total outlay of ₹ 1080 Crores.

8.2 E-Governance Initiative of O/o CGA

The Government e-Payment Gateway (GePG) was envisaged to provide a payment gateway for the Government of India with the specific objective of leveraging the existing IT capabilities of the Core Banking System and application software functionalities of the Civil Accounts Organization under the Controller General of Accounts towards the development of an integrated payment and accounting system for all levels of usage with seamless interface and data communication. This has resulted in elimination of physical cheque processing system and traditional issues associated with it to a large extent and ensuring electronic transmission of scrolls, thus reducing reconciliation period.

8.3 Institute of Government Accounts and Finance

The Institute of Government Accounts and Finance [INGAF], a training wing of the Controller General of Accounts is mandated to strengthen the professional skills of accounting personnel belonging to the Indian Civil Accounts Organization. Over the years, INGAF has diversified to fast track the changing needs of the organization and focus its strategy on cutting edge capacity building in crucial areas related to financial management, information technology, fiscal and budgetary reforms, internal audit and HR management.

During the calendar year 2013, INGAF has conducted training at the induction and entry level, together with professional skill up-gradation at the middle and senior management levels covering about 7000 participants.

9. Chief Controller of Accounts (CCA)

The chief Controller of Accounts (CCA) is overall incharge of the Accounting Organization of the Ministry of Finance.

CCA oversees the payments, accounting and internal audit functions of the 5 Departments in Ministry of Finance viz. Department of Economic Affairs, Department of Expenditure, Department of Revenue, Department of Disinvestment and Department of Financial Services.

Another important function of the CCA is financial reporting. The monthly accounts and annual accounts for the Ministry of Finance are sent to the office of the Comptroller General of Accounts for consolidation.

10. Office of Chief Advisor Cost

The Office of Chief Advisor Cost (CAC) is responsible for advising the Ministries and Government undertakings on cost accounts matters and to undertake cost investigation work on their behalf. Office of Chief Advisor Cost is one of the divisions functioning in the Department of Expenditure. It is a professional body staffed by Cost/Chartered Accountants.

The Chief Adviser Cost Office, is dealing with matters relating to costing and pricing, unit level studies for determining fair prices, studies on user charges, central excise abatement matters, cost-benefit analysis of projects, studies on cost reduction, cost efficiency, appraisal of capital intensive projects profitability analysis and application of modern management tools involving cost and commercial financial accounting for Ministries/Departments of Government of India.

Office of Chief Adviser Cost has completed 52 studies during the period January to December, 2013. These studies would result in substantial savings to exchequer.

11. Central Pension Accounting Office, New Delhi

The Central Pension Accounting Office (CPAO) set up on 01.01.1990 is administering the "Scheme for Payment of Pensions to Central Government Civil pensioners by Authorised Banks". Its function include:

- Issue of Special Seal Authorities (SSAs) to Authorised Banks
- Preparation of Budget for the Pension Grant and accounting thereof.
- Audit of pension payment made by Banks

CPAO deals with pension related payment authorization to Central Civil Pensioner, to Ex-Presidents of India, Ex-Vice Presidents of India, Ex-Members of Parliament, Retired Judges of Supreme Court and High Court, All India Services Pensioners and Freedom Fighters. It also deals with the pension payment to Burma and Nepal pensioners.

Establishment of Centralized Pension Processing Centres by all banks to process pension centrally and settlements of grievances of pensioners with banks quickly have been a major achievement. During the year 2013, the office has processed 298710 cases of pensions (42400 new PPOs and 256220 revision/amendment cases as per recommendation of 6th CPC).

12. National Institute of Financial Management (NIFM).

National Institute of Financial Management (NIFM) was set up in 1993 on the basis of a proposal made by Ministry of Finance, which was approved by the Union Cabinet. The Union Cabinet envisaged that NIFM would begin as a training institute for officers recruited by the Union Public Service Commission (UPSC) through the annual Civil Service Examination and allocated to the various services responsible for managing senior and top management posts dealing with accounts and finance in the Government of India. NIFM was to develop as a Centre of Excellence in the areas of Financial Management and related disciplines, "not only in India but also in Asia".

12.1 Main Objectives

- i) To establish and administer the management of the institute.
- ii) To organise and provide training and continuing professional education to Group 'A' officers of the participating Services including organisation of refresher courses at senior and middle levels.
- iii) To establish the Institute as a Centre of Excellence in financial management for promoting the highest standards of professional competence and practice.
- iv) To undertake and promote research/ consultancy studies in the fields of accounting, audit, financial and fiscal management and related subjects.
- v) To promote education in financial and fiscal management for officers of the associate Services of Centre/ State Governments and officers of public sector enterprises/ institutions.
- vi) To organise International Training Programmes and to keep abreast with progress made in the rest of the world in the area of finance and accounts, particularly public in Government and sector institutions.

Chapter III

Department of Revenue

1. Central Board of Direct Taxes

1.1 The targets and achievement statement is as under:

(₹ in crores)

Head of Tax	Budget Targets for the F.Y. 2013-14	Net Direct Tax Collection (upto 31 st Dec. 2013)	% of Budget Estimate Achieved for 2013-14 (upto 31 st Dec. 2013)
Corporate Tax	419520	259780	61.92%
Taxes other than Corporate Tax	248589	155548	62.57%
Total	668109	415328	62.16%

*The figures are provisional.

1.2 Search, Seizure & Surveys and Assessments:

1.2.1 During the Calendar year 2013, searches were conducted in 472 groups of persons. The value of assets seized during these searches was ₹ 687.79 crore and the undisclosed income admitted was ₹ 10,722.56 crore.

1.2.2 Also, the recent searches have revealed newer and innovative approaches of tax evasion. The uncovering of these activities is likely to pay rich dividends to the Department in coming years. For example, organized and deep investigations into accommodation entry operators, particularly in Kolkata and Delhi, have yielded a deep and widespread vein of data that has been mined, and it would be exploited in the current and future years also, to establish substantial tax evasion by a large number of tax payers. Similarly in the real estate development sector, a number of large tax payers have avoided payment of taxes in the garb of joint development agreements. No capital gain is paid on transactions of land, although possession of land already vests in beneficial owners and legal owners of land have by now enjoyed most, if not all, of sale proceeds of the land.

1.2.3 5764 surveys were conducted by the Income Tax Department under section 133A of the Income Tax Act, 1961 during calendar year 2013 leading to detection of undisclosed income of ₹ 18,762.15 crore. Substantially higher unaccounted income was detected in such surveys as compared to the corresponding period of the last year.

1.2.4 Emphasis has been laid on quicker and judicious centralization of search cases and early initiation of assessment proceedings. Periodic monthly meetings between Investigation Directorates and Central Charges were mandated, as a result, in many cases, the Investigation units conducted investigations during the course of assessment proceedings to gather further evidence, resulting in better assessments.

1.2.5 **Prosecutions:** The number of prosecution cases during FY 2012-13 has gone upto 267 from 149 during FY 2011-12 registering an increase of 79% due to more focused monitoring in this area.

PROSECUTION STATISTICS

Financial Year (1)	Cases Launched (2)	Cases Decided (3)	Cases Convicted (4)	Cases Compounded (5)	Successful Cases (4 + 5) (6)	Success Rate (7)
2010-11	178	356	51	83	134	37.6
2011-12	149	593	14	397	411	69.3
2012-13	267	164	15	96	111	67.7

1.2.6 The Direct Taxes laws provide for compounding of offences. While promoting quick disposal of compounding applications, efforts are made to successfully prosecute such persons who have committed serious defaults. During the current year, the courts have sentenced several persons with imprisonment and fine in prosecutions launched by ITD.

1.3 Study on estimation of unaccounted income / wealth both inside and outside the country: The Government has commissioned a study, inter alia, on estimation of unaccounted income both inside and outside the country. The study is being conducted by National Institute of Public Finance and Policy (NIPFP), National Council of Applied Economic Research (NCAER) and National Institute of Financial Management (NIFM). Final study reports are expected to be received shortly.

1.4 Expenditure Monitoring during Elections: CBDT is coordinating with the Election Commission of India (ECI) for tracking and monitoring expenditure on elections.

1.5 Inputs received from FIU-IND have been beneficially used in many cases investigated by the Income Tax Department. Sustained investigations based upon some of the inputs have resulted in successful search and seizure operations.

1.6 International Consortium of Investigative Journalists (ICIJ) has uploaded information on its website www.icij.org, inter alia, containing particulars of certain entities including trusts, funds, companies created in offshore locations such as British Virgin Islands, etc. Such information contained particulars of 513 Indian addresses with names, etc. who prima facie appeared to be connected with some of the offshore entities. However, such information does not reveal particulars of financial transactions of the offshore entities or Indian persons. Income-tax authorities have started enquiries in the above matter. Further action under Direct Tax laws would follow on completion of such enquiries.

1.7 Investigation into issues emerging out of National Spot Exchange Limited (NSEL) Payment Crisis: Recently, trading on NSEL was suspended which was followed by payment crisis to the investors. NSEL owes about ₹ 5,570 crore to investors. NSEL provided a list of 24 borrowers who owe ₹ 5,570 crore to NSEL. Income Tax Department [ITD] carried out nationwide surveys under section 133A of the Income Tax Act, 1961 on these 24 borrowers on 22.08.2013. The survey has revealed that godowns were either empty or reported amount of stocks were not available. In some cases, investigation has revealed that money received from NSEL was utilized for various other purposes such as investment in properties, repayment of loans, etc. Further investigation is under progress.

1.8 Whenever such cases are detected, information is shared with the regulators concerned, viz. FMC, SEBI, ED, etc for taking necessary action under respective regulations.

1.9 Up-gradation of ITDMS and Uploading of latest data: An Integrated Taxpayer Data Management System (ITDMS) was designed as data mining software to profile a taxpayer. It enables the users to build a near 360 degree profile of taxpayers. A project was taken up to upgrade the existing system to deal with high volumes of data and to generate more linkages. The improved version is giving better linkages and is able to handle a higher quantum of data.

1.10 Management of Tax Litigation : A large part of litigation in the Direct taxes requires interpretation of legal provision. Sometimes lack of desired clarity on contentious legal issues amongst officers of the Department, lead to inconsistent approach on the same issue, thus causing further litigation. It was felt necessary that mechanism be evolved so as to provide clarity on contentious legal issues and promote consistency of approach which would reduce litigation. For this "Central Technical Committee (CTC) on Departmental View" has been set up in CBDT. Based on recommendations of this Committee, Circular No.7/DV/2013 was issued to bring clarity on the provisions of section 10A/10AA/10B/10BA of the Income-Tax Act, with regard to applicability of Chapter IV of the Act and set off and carry forward of losses. Circular No.10/DV/2013 was issued to clarify the applicability of section 40(a)(ia)

1.11 Earlier there was no structured mechanism available to find out the appeals/SLP's filed by the assessee because of which the Department was sometimes not able to place its views from the first hearing/admission stage of the appeal/SLP. Instruction No.8/2013 was issued which laid down not only the procedure to be followed in case of SLPs filed by the taxpayer, but also to bring about effective and uniform approach for handling such appeals.

1.12 Instruction No.9/2013 was issued laying down the parameters for allocation of work between the CIT (DRs) and the Sr. DRs for effective representation before ITAT.

1.13 Fresh guidelines/Instructions for engagement of Special Public Prosecutors were drafted and after approval by the Board are awaiting concurrence of Ministry of Law & Justice.

1.14 For SLPs filed by the Department it was felt necessary that the same should not be done in a mechanical manner and on frivolous grounds. There was a need that detailed procedures should be laid down to ensure that the Departmental Counsels are briefed in advance before the hearing for proper representation. In order to ensure this Guidelines on drafting of SLP and framing substantial Question of Law have been issued vide letter dated 11.02.2013.

1.15 For better representation on Direct Tax matters in Supreme Court it was felt necessary that they should be a dedicated panel of counsels. An exclusive panel of the Counsels including Additional Solicitors General, Designated Senior Counsels, Group A and Group B counsels, has been constituted for conducting matters of direct taxes on behalf of Union of India in the Supreme Court, vide order of Ministry of Law & Justice dated 24/01/2013.

1.16 Database of pending SLPs/appeals at Supreme Court (filed by Department/taxpayers) has been prepared and circulated to all CCsIT (CCA) by DGIT (L&R) vide letter dt. 30/05/2013. This database would help the CCIT (CCA) in identifying their cases and in making advance preparations to defend the cases pertaining to their respective jurisdictions. With a view to more effective monitoring the litigation in Supreme Court on day to day basis and to provide assistance to the counsels and the Departmental officers, a Supreme Court Cell has been created.

1.17 Rising litigation in the field of International taxation/Transfer pricing has been sought to be addressed by way of proposing a dedicated panel of "Senior Counsels-Special Engagement" in the office of the DGIT (Intl Taxn.) to appear before High Courts, Authority for Advance Rulings (AAR) or other judicial forums.

1.18 Statistics regarding pendency, institution, disposal of appeals before CIT (A) was monitored closely to ensure that CAP targets were duly met.

1.19 Tax legislation and Notifications: Income-Tax Return (ITR) forms ITR-1 to ITR-7 and ITR-V (Acknowledgement) have been notified for the Assessment Year 2013-14 after incorporating the legislative amendments carried out vide Finance Act, 2012. It has been made mandatory for assesseees having total income of more than 5 lakh rupees to furnish the return electronically.

1.20 Commodities Transaction Tax (CTT) was introduced vide Finance Act, 2013 to be levied on sale of commodity derivatives in respect of commodities, other than agricultural commodities, traded in recognized association. Finance Act stipulated that the provisions relating to CTT shall come into force on such date as the Central Government may notify in the Official Gazette. The Central Government vide notification 45/2013[S.O.1768 (E)] dated 19th June, 2013 has appointed the 1st day of July, 2013 as the date from which the provisions relating to CTT shall come into force.

CTT is to be collected on taxable commodities transactions by the recognised associations. For deciding the modalities of collection and furnishing details thereof in the return of CTT and other connected issues, the Central Government vide Notification 46/2013 [S.O. 1769 (E)] dated 19th June, 2013 has notified CTT Rules, 2013.

A new sub-clause (e) was inserted in clause (5) of section 43 of the Income-Tax Act, 1961 through the Finance Act, 2013 to provide that an eligible transaction in respect of trading in derivatives carried out in a recognised association will not be deemed to be a speculative transaction. Under the said sub-clause (e), recognised association means a recognised association referred to in Forward Contracts (Regulation) Act, 1952 and fulfilling such conditions as may be prescribed and notified by the Central Government. Notification has been issued in this regard by inserting Rule 6DDC and Rule 6DDD in the Income-Tax Rules, 1962.

1.21 Notification No. 2331(E) dated 1st August, 2013 has been issued to amend Rule 21AB in accordance with the requirements of Tax Residency Certificate(TRC) and other details to be provided by the assessee in terms of sub-section (4) of sections 90 and 90A and insertion of sub-section (5) in the two sections of the Income-Tax Act, 1961.

1.22 Notification No. S.O. 2668 (E) dated 4th September, 2013 has inserted a new Rule 12BA and Form 63AA in consequence of the insertion of Chapter XII-EA and section 10(23DA) relating to tax on distributed income of securitization trusts which requires that the person responsible for making payment of the

income distributed by the securitization trust shall furnish a statement in the prescribed form and verified in the prescribed manner, giving the details of the amount of income distributed to investors during the previous year, the tax paid thereon and such other relevant details, as may be prescribed.

1.23 Section 92CB of the Income-Tax Act, 1961 provides that the determination of arm's length price under section 92C or under section 92CA shall be subject to safe harbour rules which would be made by the Central Board of Direct Taxes (CBDT). Accordingly, vide Notification No. S.O. 2810(E) dated 18th September, 2013, CBDT has made the safe harbour rules by insertion of new Rules 10TA to 10TG and prescribing the Form No. 3CEFA in the Income-Tax Rules, 1962.

1.24 Section 101 of Chapter X-A of the Income-Tax Act, 1961 provides that General Anti Avoidance Rule (GAAR) shall be applied in accordance with such guidelines and subject to such conditions as may be prescribed. Accordingly, CBDT has, vide Notification No. S.O. 2887 (E) dated 23rd September, 2013, made rules for application of General Anti Avoidance Rule by insertion of new Rules 10U to 10UC and prescribing the Forms No. 3CEG, 3CEH and 3CEI in the Income-Tax Rules, 1962.

1.25 Rajiv Gandhi Equity Savings Scheme, 2013 was notified vide Notification No. S.O. 3693(E) dated 18th December, 2013 to encourage investment of savings of small investors in the domestic capital market. Investments made in equity shares and listed units of equity oriented funds in accordance with this Scheme are eligible for deduction under section 80CCG of the Income-Tax Act, 1961, subject to the conditions specified therein.

1.26 Nine entities engaged in Scientific Research were approved by the Central Government in terms of section 35(1)(ii) of the Income tax Act. One Electoral Trust was notified under section 2 (22AAA) of the Income Tax Act. 10 entities constituted by various State Governments for regulating/administering activities for the benefit of general public were notified under section 10(46) of the Income Tax Act.

1.27 Performance in the area of Audit : As on date no draft/audit para was pending for initial reply for reports of C&AG till Audit Report Year (ARY) 2010-11. The position of audit paras is reconciled on a monthly basis with C&AG and as on 30.11.2013 there is no pendency of draft paras for initial reply to C&AG.

1.28 As regards the submission of draft/final ATNs upto ARY 2010-11, the Monitoring Cell vide the O.M. No.5/1/2013-MC/240 dated 24.10.2013 has stated that 'as far as the pending position of audit paras is concerned, Department of Central Board of Direct Taxes has done a remarkable work by reduction of huge pendency of audit paras from 2670 (during 2010-11) to 22 (2012-13) and CBDT has set an example of focused & concerted action taken and coordination between C&AG as well as Monitoring Cell for settling of the audit paras.'

1.29 On these 22 cases, further reconciliation has been done and only 13 cases are pending with Monitoring Cell as on date. Out of these, vetting reply is pending from C&AG in 10 cases and in 3 cases where rejoinders have been received from C&AG, replies are pending with CBDT.

1.30 In addition to the above, the Report No.15 of 2013 of C&AG for the year ended March, 2012 has been tabled in Parliament on 23rd August, 2013 and the time period for submitting the ATNs is upto 23rd December, 2013. This Report includes 455 draft paras pertaining to ARY 2011-12. CBDT has received batches of the DPs included in this report since June 2012 and has acted on them expeditiously. Out of the 455 draft paras covered in this report, initial replies have been sent to C&AG in all 455 cases, within the stipulated 4-month period, i.e., before the deadline of 23rd December, 2013. Vetting comments of C&AG are awaited in these paras.

1.31 All the ATRs due as on 30-11-2013 have been sent to PAC, including the Hindi Translations. This includes the 3 Paras of the 36 th report (15th Lok Sabha) and the 3 paras of the 47th Report (14th Lok Sabha). The 5 ATRs of the Para No.4.1.1 of the C & AG Report No.1 for the year 2011-12 relating to "Expenditure incurred on Interest on Refunds of Taxes" have also been sent to PAC along with vetted comments of Audit. The 19 ATRs in respect of the 87th Report (15th Lok Sabha) is due in February 2014 and is in the process of being compiled by CBDT.

1.32 In order to further improve the position of disposal of pending Internal Audit Objections, a revised Instruction No. 15/2013 has been issued by the CBDT on 18.10.2013 where in role of CCIT (CCA) & role of jurisdictional CCIT/DGIT has been defined for proper monitoring mechanism for desired improvement. In order to streamline the system, the roles of supervisory authorities have been enhanced and strengthened.

1.33 The Board had issued Instruction No.9 of 2006 dated 7.11.2006 on Receipt/Revenue Audit Objections. CBDT has taken serious note of the comments of the PAC on the need to have effective monitoring system in place and has, therefore, decided to fine tune the procedure and strengthen the role of supervisory authorities and CIT (Audit). In view of this, revised Instruction No.16 of 2013 has been issued by the CBDT on 31.10.2013.

1.34 Negotiation of DTAA's and TIEA's: The Foreign Tax and Tax Research (FT&TR) Division negotiate and finalize the tax agreements, i.e. Double Taxation Avoidance Agreements (DTAA's) and Tax Information Exchange Agreements (TIEA's). During the calendar year 2013, following work has been done in this regard:

- (a) Three new DTAA's with Ethiopia, Uruguay and Albania came into force on 21.2.2013, 21.6.2013 and 4.12.2013 respectively, taking the total number of DTAA's in force to 87 as on 31st December, 2013. The new DTAA's, which have been signed but have not yet entered into force are with Columbia (signed on 13.5.2011), Bhutan (signed on 4.3.2013), Latvia (signed on 18.9.2013) and Macedonia (signed on 17.12.2013).
- (b) A new revised DTAA replacing the existing DTAA with Romania came into force on 26th December, 2013.
- (c) A new revised DTAA replacing the existing DTAA was signed with Malta on 10.4.2013 in Malta. A new revised DTAA between India and Sri Lanka, replacing the existing DTAA was signed on 22nd January, 2013
- (d) Five new TIEA's with Argentina (28.1.2013), Gibraltar (11.3.2013), Monaco (27.3.2013), Bahrain (11.4.2013) and Belize (18.12.2013) came into force during the year, taking total number of TIEA's in force to 14. The TIEA with Liechtenstein will come into force on 20th January, 2014. The TIEA's which are signed but not yet in force are with San Marino (signed on 19.12.2013).
- (e) Following amending Protocols to amend the existing DTAA's, primarily to bring the provisions on Exchange of Information to the international standards (including exchange of banking information and information without domestic interest) came into force:
 - i. Amending Protocol with Malaysia came into force on 26th December, 2012 and was notified on 29th January, 2013
 - ii. Amending Protocol with U.A.E. came into force on 12th March, 2013 and was notified on 12th April, 2013
 - iii. Amending Protocol with Bangladesh came into force on 13th June, 2013 and was notified on 4th July, 2013
 - iv. Amending Protocol with Sweden came into force on 16th August, 2013
 - v. Amending Protocol with Australia came into force on 2nd April, 2013 and was notified on 20th September, 2013
 - vi. Amending Protocol with the United Kingdom came into force on 27th December, 2013
- (f) Following amending Protocols to amend the existing DTAA's, primarily to bring the provisions on Exchange of Information to the international standards were signed
 - i. Amending Protocol with Poland signed on 29th January, 2013, in Warsaw, Poland
 - ii. Amending Protocol with Sweden signed on 7th February, 2013, in Stockholm, Sweden
 - iii. Amending Protocol with Bangladesh signed on 16th February, 2013, in Dhaka, Bangladesh
 - iv. Amending Protocol with Romania signed on 8th March, 2013 in Romania
 - v. Amending Protocol with Morocco signed on 8th August, 2013 in New Delhi, India
 - vi. Amending Protocol with South Africa signed on 26th July, 2013 in Pretoria, South Africa
 - vii. Amending Protocol with Denmark signed on 10th October, 2013 in Copenhagen, Denmark
 - viii. Amending Protocol with Brazil signed on 15th October, 2013 in Brasilia, Brazil

1.35 Cyprus was notified under section 94A of the Income-Tax Act, 1961 through Notification No. 86/2013 dated 1st November, 2013 published in Official Gazette through SO 4625 GI/13 since it had not been providing the information requested by the Indian Tax authorities under the exchange of information provisions of the agreement .

1.36 Manual on Exchange of Information and Training to Officers of CBDT: The Central Board of Direct Taxes issued Instruction No. 1 of 2013 on 17th January, 2013, on the subject “Exchange of Information for Tax Purposes with Foreign Jurisdictions – Guidelines for inbound and outbound requests”. A comprehensive Manual on Exchange of Information was also issued with the Instruction with a view to provide guidance to the officers in the field formations for effectively using the provisions of exchange of information for seeking information from the tax administration of a foreign jurisdiction.

1.37 Advance Pricing Agreement (APA): APA provisions, 92CC and 92CD were inserted in the Income-Tax Act, 1961 by the Finance Act, 2012. Thereafter the work of preparation of APA Scheme to be notified in the Rules was undertaken. The APA rules were notified vide notification number 36/2012 dated 30.08.2012 with effect from the date of the notification. A taxpayer series on “Guidance on APA Scheme and FAQs” related to it was also prepared and released in May, 2013 by the Hon’ble Finance Minister during the Chief Commissioners Conference. Since the notifications of the APA Scheme and till 31st December, 2013, a total of 150 APA applications have been received, which included 31 bilateral APA requests and 119 unilateral APA requests. An APA workshop was organized for officers of the South African Revenue Service (SARS) from 22nd to 25th July, 2013.

1.38 Mutual Agreement Proceedings (MAP): Meetings for resolving cases under MAP and APA were held with various countries including USA, UK, Japan, Netherlands, Sweden and Switzerland. One MAP/APA meeting was held with UK Competent Authorities in September, 2013. A number of cases were resolved with UK. All the bilateral APA applications pertaining to UK were discussed. Two MAP/APA meetings with the Japanese Competent Authority were held in February, 2013 and September, 2013. Some cases with Japan were resolved during these meeting, thereby ensuring that the tax disputes therein are settled in an amicable manner to the satisfaction of all parties. Bilateral APA cases with Japan were also discussed and decision for exchange of position paper was agreed between the two countries. MAP meetings were also held with Sweden in Stockholm and with Netherlands and Switzerland in India resolving some of the outstanding cases. Further, all requests received for MAP from different countries, were taken up by examining the facts and legal question and preparing and exchanging Indian position on the matter. MAP processes were initiated on requests received from Indian assesseees. A meeting with the High level delegation from the USA, including their Competent Authority was held on 9th and 10th September, 2013, wherein both sides agreed to expedite the process and decided on the measures to be taken for this purpose.

1.39 On the basis of the recommendations of the Rangachary Committee in the first report on Taxation of Development Centres and IT Sector, CBDT has issued the following circulars:

- Circular No. 1/2013 dated 17th January, 2013 on issues relating to Export of Computer Software under sections 10A, 10AA and 10B of the Act.
- Circular No. 6/2013 dtd. 29th June, 2013 on Conditions Relevant to Identify Development Centres engaged in Contract R&D Services with Insignificant Risk.

1.40 The Government of India considered the other five reports of the Rangachary Committee and notified the safe harbour rules on 18th September, 2013 vide notification number S.O 2810(E). The safe harbour rules so notified provide 20% margin for IT & ITES transactions upto ₹ 500 crores and 22% for transactions above ₹ 500 cr; for knowledge process outsourcing services, the safe harbour operating margin is 25%; for outbound loans the safe harbour interest rate is SBI base rate plus 150 basis point for loans advanced upto ₹ 50 cr and for loans above ₹ 50 cr it is SBI base rate plus 300 basis points; safe harbour commission or fee for corporate guarantees upto ₹ 100cr is 2% and for transactions of corporate guarantee above ₹ 100cr safe harbour is available only if the wholly owned subsidiary is rated to be adequate to highest safety and the safe harbour commission or fee is 1.75%. The safe harbour operating margin for contract R&D in software development is 30% and for contract R&D in generic pharmaceutical drugs is 29%, for the auto component manufacturer and exporter it is 12% as well as for core auto component manufacturers/exporters and 8.5% for non-core auto components manufacturer and exporter. The safe harbour rules are applicable for 5 assessment years beginning from assessment year 2013-14.

1.41 **Guidance Notes:** In order to ensure a better comprehension and to bring about uniformity in approach by the Transfer Pricing Officers, guidance notes were prepared after considering the various judicial interpretations on the issue of transfer pricing and international taxation. 2 such guidance notes were issued on the following issues:

- 1) Guidance Note number 7 on Transfer Pricing of Royalty issued in April, 2013.
- 2) Guidance Note number 8 on Taxation of consideration for use of computer program as royalty issued in April, 2013.

1.42 **Tax Issues in G20 Meetings:** In the year 2013, the tax issues were discussed extensively in the G20 meetings of the Finance Ministers and G20 Leaders, particularly on the issues of “Base Erosion and Profit Shifting”, “Exchange of Information including on an Automatic basis” and “Assistance to developing countries for capacity building”.

1.43 **Relationship with OECD:** In addition to working with OECD in the BEPS Project, India has relationship with OECD in other matters relating to taxation, which is summarized below:

- (a) **Committee of Fiscal Affairs:** India is one of the few countries which have been extended an “observer” status in the Committee of Fiscal Affairs of the OECD, which takes all the policy decisions in the field of direct taxes. Indian representatives have attended two meetings of the CFA in 2013
- (b) **Working Party Meetings of OECD:** Indian representatives have participated in the following working party meetings of the OECD during 2013

Working Party	Area being dealt with
Working Party No. 1	Tax Conventions
Working Party No. 2	Tax Policy Analysis and Statistics
Working Party No. 6	Transfer Pricing
Working Party No. 10	Exchange of Information and Tax Compliance
Working Party No. 11	Aggressive Tax Planning

The G20 has asked the OECD to develop a single uniform standard on automatic exchange of information to be presented to the G20 Leaders and Finance Ministers. Indian delegates are attending the meetings of WP10 which is developing such a uniform standard.

- (c) **Forum on Tax Administration:** The Forum on Tax Administration was created by the CFA of OECD in 2002 and it consists of 43 members including all G20 countries and select non-OECD countries. This is a Forum for co-operation in the areas of tax administration and tax compliance. India is member of the bureau of the FTA since 1st January, 2012. The Revenue Secretary attended the meeting of the Bureau in May, 2013.
- (d) **Task Force on Tax and Development:** In view of the call given by G20 countries for providing assistance to developing countries in the areas of taxation, the OECD has constituted an informal task force on tax and development. India has supported the work of the Task Force.
- (e) The OECD has launched a pilot project on Tax Inspectors Without Borders (TIWB) with an objective to enable the transfer of tax audit knowledge and skills to tax administrations in developing countries through a real time, “learning by doing” approach.
- (f) **Technical Development Programmes:** The OECD since 2000 have been conducting technical development programme at NADT, Nagpur. Till date, about 32 such programmes have been conducted in which officers from field levels participate. Two such programmes were organized in 2013 at NADT, i.e, Advanced Tax Treaties from 26th to 30th August, 2013 and Advanced Transfer Pricing from 25th to 29th November, 2013.
- (g) The FT&TR took initiative in sending Department’s officers to various OECD training courses held at Ankara, Seoul, Vienna, Budapest and Jakarta. During the year more than 52 officers have been sent to various OECD training courses to enhance their professional expertise.

1.44 Cooperation with BRICS Countries on Tax Matters: The Heads of Revenue of BRICS Countries, that is, Brazil, Russia, India, China and South Africa, met in New Delhi on 17th and 18th January, 2013 and held discussions on issues relating to International Taxation, Transfer Pricing, Prevention of Cross-border tax evasion and avoidance, exchange of information, sharing of best practices in tax system administration and resolution of disputes. The meeting was inaugurated by Finance Minister of India on 17th January and was concluded on 18th January, 2013 by the Revenue Secretary Mr. Sumit Bose. This was the first meeting of the Heads of Revenue and on conclusion of the meeting, a joint communiqué was issued in which the Revenue Heads of BRICS Countries agreed to develop greater cooperation among their tax administrations on various issues of mutual interest and concerns.

1.45 India-Brazil-South Africa (IBSA) Revenue Administration Working Group Meeting: IBSA Dialogue Forum is a trilateral developmental initiative between India, Brazil and South Africa to promote South-South Co-operation and bring together three democracies, to promote closer co-operation in both tax and customs matters and contribute to the IBSA Dialogue Forum. 8th meeting of IBSA Heads of Revenue Administrations Working Group (HRAWG) was held on 8th November 2013 and the 11th meeting of IBSA Revenue Administrations Steering Group (RASG) was held on 4-7 November, 2013 at Rio de Janeiro, Brazil. Cooperation in the areas of international taxation and transfer pricing, exchange of information, cooperation in multilateral fora, digital economy, aggressive tax planning and capacity building were identified and sub-groups have been constituted to work in these areas for enhanced cooperation.

1.46 United Nations TP Manual: The UN Transfer Pricing Manual was released in May, 2013 and is expected to address the concerns of developing countries. India being one of the important developing countries/emerging economies played an active role in the drafting of this Manual.

1.47 Coordination with other Multilateral Agencies: India is an Associate member of Center for Inter American Tax Administration (CIAT) a multilateral organization. The efforts of CIAT are focused on cooperation between the tax administrations of different jurisdictions with a view to work jointly against international tax evasion. To fulfill this objective, CIAT organizes different activities, studies, Workshops, Seminars etc. wherein the tax administrations can share their suggestions, practices, experiences, etc. Indian delegates have participated in the meetings of CIAT.

1.48 The Commonwealth Association of Tax Administrators (CATA) was established as the result of a decision taken at the meeting of the Commonwealth Finance Ministers in Barbados in 1977. India has been an important member of Commonwealth Association of Tax Administrators (CATA) since 1979. CATA's activities include organizing annual technical workshops, high quality training programmes for tax officials, in country training programmes tailored to meet the specific needs of members, publication of a quarterly Newsletter, provision of consultancy services and research facilities for members upon request, the supply of information to members, etc. India participated in the major events organized by CATA during the year and also forwarded reports on strategic objective from Indian point of view.

1.49 Indian delegation attended the ITD Global Conference on Tax and Intergovernmental Relations from 3rd to 5th December 2013 Marrakech, Morocco, and made a presentation.

1.50 During the calendar year 2013, 379 proposals were processed in the FIPB section and inputs on these proposals were sent to Foreign Investment Promotion Board.

2. Central Board of Excise and Customs

2.1 During financial year 2012-13, the indirect tax revenue collection was `474575 crore (provisional figures). This indicates a growth of 20.9 % over actual collections in 2011-12, despite general economic slowdown and relatively low level of industrial output in 2012-13. The major head wise details of indirect tax revenue collections during 2012-13 are tabulated below:

(Amount in ₹ Crore)

Major Tax Head	B.E 2012-13	R.E 2012-13	Actuals 2012-13 (prov.)	Growth over 2011-12	Collection over BE	Collection over RE
Customs	186694	164853	165289	10.7%	88.5%	100.3%
Union Excise	194350	171996	176685	21.3%	90.9%	102.7%
Service Tax	124000	132697	132601	36.0%	106.9%	99.9%
Total	505044	469546	474575	20.9%	94.0%	101.1%

2.2 Revenue Trends In F.Y : 2013-14(April-December): The Budget Estimate (BE) 2013-14 for indirect tax has been pegged at ₹ 565003 crore ,which is about 19.0% higher than the the previous year's revenue receipts. The major head wise details of indirect tax revenue collections in the current fiscal year up to December 2013 is tabulated hereinafter;

(Amount in ₹ crore)

Indirect Tax Major Head	Budget Estimate 2013-14	Revenue Collections *April to December 2013 (Provisional)			
		2012-13	2013-14	Growth (in %)	% BE Achieved (Up-to Dec,2013)
Customs	187308	118393	126285	6.7	67.4
Central Excise	197554	124016	118405	(-)4.5	59.9
Service Tax	180141	91900	110313	20.0	61.2
Total	565003	334309	355003	6.2	62.8

*Exclusive of cesses not administered by CBEC, D/o Revenue.

2.3. Budget 2013-14 (Customs)

2.3.1. General

Baggage Rules were amended to-

1. raise the duty free allowance in respect of jewellery for an Indian passenger who has been residing abroad for over one year or a person who is transferring his residence to India from ₹10,000 to ₹50,000 in case of a gentleman passenger and from ₹20,000 to ₹1,00,000 in case of a lady passenger.
2. raise the duty free allowance for crew members of vessel/aircraft from ₹600 to ₹1500.

2.3.2. Proposals involving changes in rates of duty.

2.3.3 Agriculture/Agro Processing/Plantation Sector

- 1) Basic customs duty on de-hulled oat grain was reduced from 30% to 15%.
- 2) Basic customs duty on hazel nuts was reduced from 30% to 10%.
- 3) Export duty of 10% on de-oiled rice bran oil cake was withdrawn.

2.3.4 Automobiles

- 1) Basic customs duty on passenger cars and other motor vehicles (high end cars) with CIF value more than US\$ 40,000 and/or engine capacity exceeding 3000cc for petrol run vehicles and exceeding 2500 cc for diesel run vehicles was increased from 75% to 100%.
- 2) Basic customs duty on motor cycle with engine capacity of 800cc or more was increased from 60% to 75%.

2.3.5. Metals

- 1) Export duty was levied on unprocessed ilmenite at 10% and on upgraded ilmenite at 5%.
- 2) Export duty was levied on bauxite at 10%.
- 3) Basic customs duty was reduced from 10% to 5% on stainless steel wire cloth stripe and from 7.5% to 5% on wash coat for use in the manufacture of catalytic convertors and their parts.
- 4) Full exemption from export duty was provided retrospectively w.e.f. 01.03.2011 to galvanized steel sheets falling under certain sub-headings.

2.3.6 Precious Metals

Basic customs duty was reduced from 10% to 2% on pre-forms of precious and semi-precious stones.

2.3.7 Capital Goods/Infrastructure

- 1) Basic customs duty on steam coal was increased from Nil to 2% and CVD from 1% to 2%.
- 2) Basic customs duty on bituminous coal was reduced from 5% to 2% and CVD from 6% to 2%.
- 3) Basic customs duty was reduced from 7.5% to 5% on 20 specified machinery for leather and footwear sector.

2.3.8 Aircrafts & Ships

- 1) Basic Customs Duty on yachts and motor boats was increased from 10% to 25%.
- 2) Time limit for consumption of imported goods by ship repair units was extended from 3 months to 1 year.
- 3) Time period for consumption/installation of parts and testing equipments imported for maintenance, repair and overhaul (MRO) of aircrafts by units engaged in such activities was extended from 3 months to 1 year.
- 4) The basic customs duty exemption, that was available to parts and testing equipments for maintenance, repair and overhaul of aircrafts, was extended to parts and testing equipments for maintenance, repair and overhaul of aircrafts and parts thereof.

2.3.9. Environment Protection

- 1) Full exemption from basic customs duty was provided to lithium ion automotive battery for manufacture of lithium ion battery packs for supply to the manufacturers of hybrid and electric vehicles.
- 2) Time period of exemption (Nil BCD, CVD of 6% and Nil SAD) for the specified parts of electric and hybrid vehicles was extended by 2 more years up to 31st March, 2015.

2.3.10 Textiles

- 1) Basic customs duty on raw silk (not thrown), of all grades was increased from 5% to 15%.
- 2) Basic customs duty was reduced from 7.5% to 5% on textile machinery & parts.

2.3.11. Electronics/Hardware

Basic customs duty on Set Top Boxes for TV was increased from 5% to 10%.

2.3.12 Miscellaneous

- 1) Full exemption from basic customs duty and additional customs duty was provided to trophies imported by National Sports Federation recognized by the Department of Sports and Youth Affairs or any Sports Body registered under Societies Registration Act, in connection with any international tournament held in India.
- 2) Withdrawal of exemption from education cess and secondary & higher education cess on aircraft and aircraft parts, soyabean oil, olive oil etc.

2.4 Budget 2013-14 (Central Excise): Proposals involving changes in rates of duty.

2.4.1. Agriculture/Agro Processing/Plantation Sector

- 1) Full exemption from excise duty was provided on tapioca sago (*sabudana*) and tapioca starch manufactured and consumed captively in the manufacture of tapioca sago.
- 2) Full exemption from excise duty was provided on henna powder or paste, not mixed with any other ingredient.

2.4.2. Automobiles

- 1) Excise duty on SUVs was increased from 27% to 30%.
- 2) Sports Utility Vehicles registered solely for use as taxis did not suffer additional excise duty consequent upon the increase in excise duty on SUVs from 27% to 30%. Taxi refund in respect of SUVs was adjusted accordingly.
- 3) Excise duty on truck chassis (8706 00 42) was reduced from 14% to 13%.

2.4.3 Metals

- 1) Excise duty of 4% was levied on silver manufactured from zinc/lead smelting.
- 2) Compounded levy on stainless steel "Patta Patti" was increased from ₹ 30,000 per machine per month to ₹ 40,000 per machine per month.

2.4.4. Aircrafts/Ships

Full exemption from excise duty and CVD was provided on ships and other vessels. Consequently, there would be no CVD on imported ships and vessels.

2.4.5. Textiles

- 1) Full exemption from excise duty was provided on hand made carpets and other textile floor coverings of coir or jute, whether or not handmade.
- 2) 'Zero excise duty route', as existed prior to Budget 2011-12, was restored on readymade garments and made ups. The 'zero excise duty route' is in addition to the CENVAT route available to garment manufacturers.

2.4.6. Health: Branded Ayurvedic medicaments and medicaments of Unani, Siddha, Homeopathic or bio-chemic system were brought under MRP based assessment with abatement of 35% from MRP.

2.4.7. Electronics/Hardware: Excise duty on mobile phones of value (retail sale price) exceeding ₹ 2000/- was increased from 1% to 6%.

2.4.8. Miscellaneous

- 1) Excise duty on cigars, cigarillos, etc. and cigarettes was increased by about 18%, except cigarettes of length not exceeding 65 mm.
- 2) Excise duty on marble tiles and slabs was increased from ₹ 30 per sq. mtr to ₹60 per sq. mtr.
- 3) Full exemption from excise duty was provided to intermediate goods manufactured and consumed captively by exempted units under Area Based Exemption Scheme in Himachal Pradesh and Uttarakhand.

2.5 Service Tax

2.5.1 Retrospective Exemption: Retrospective exemption has been extended to the Indian Railways on the service tax leviable on various taxable services provided by them during the period prior to 01.10.2012.

2.5.2 Rationalization Of Abatement: Hitherto, value of taxable service was prescribed as 25% of the gross amount charged for all constructions services where the value of land was included in the amount so charged from the service recipient. The abatement has been rationalized. Now, for the residential units having carpet area less than 2000 square feet and the amount charged is less than One Crore Rupees, the value of taxable services has been prescribed as 25% of the gross amount charged. For all other constructions the value of service has been prescribed as 30% of the gross amount charged.

2.5.3 Review Of Exemptions:

2.5.3.1 The following exemptions have been rationalized:

- So far, the exemption limit prescribed for charitable organizations, providing service towards any other object of general public utility was ₹25 lakh per annum. Now, they will be covered by the threshold exemption.

- Exemption provided to restaurants other than those having (i) air-conditioning and (ii) license to serve liquor, has been rationalized; condition regarding 'license to serve liquor' has been omitted. Therefore, with effect from 1st April, 2013, service tax is leviable on taxable service provided in restaurants with air-conditioning or central air heating in any part of the establishment at any time during the year.

2.5.3.2 The following exemptions have been withdrawn:

- Services provided by an educational institution by way of renting of immovable property.
- Temporary transfer or permitting the use or enjoyment of a copyright relating to cinematographic films was fully exempt so far. Now, this exemption has been restricted to exhibition of cinematograph films in a cinema hall/theatre.
- Services by way of vehicle parking to general public.
- Services provided to Government, a local authority or a governmental authority, by way of repair or maintenance of aircraft.

2.6 Important Budgetary Changes - 2013

2.6.1 Voluntary Compliance Encouragement Scheme, 2013 (VCES): In Service Tax, a new scheme was introduced to encourage voluntary compliance with the following main features:

- The scheme can be availed of by non-filers or stop-filers or persons who have not made a truthful declaration in their return. However it will not be applicable to persons against whom any inquiry or investigation is pending by the issue of search warrant or summon or by way of audit;
- The defaulter will be required to make a truthful declaration of all his pending tax dues (from October 1, 2007 to December 31, 2012) and pay at least half of that before December 31, 2013; remaining half to be paid by:
 - June 30, 2014 without interest; or
 - By December 31, 2014 with interest from July 1, 2014 onwards;
- On compliance with all the requirements the person will have immunity from interest (as specified), penalties and other proceedings.

2.6.2. Advance Ruling: The scope has been expanded to include any new business of import or export so as to enable such importer or exporter to seek advance ruling when he starts a new line of business. Similar amendment has been made for Central Excise enabling producers or manufacturers to seek advance ruling when starting a new line of business. Advance ruling provisions have also been extended to the admissibility of the credit of service tax paid on or deemed to have been paid on input services used in the manufacture of excisable goods.

2.6.3 Arrests and Prosecutions: Section 104 of the Customs Act, 1962 contains provisions relating to arrest. This section has been amended to make certain offences punishable under section 135 as non-bailable. The offences are:

- Evasion or attempted evasion of duty exceeding ' fifty lakh;
- Clearance of prohibited goods notified under section 11 which are also notified under sub-clause (C) of clause (i) of sub-section (1) of section 135;
- Import or export of any goods which have not been declared in accordance with the provisions of this Act and the market price of which exceeds ' one crore;
- Fraudulently availing of or attempt to avail of drawback or any exemption from duty provided under this Act, if the amount of drawback or exemption from duty exceeds ' fifty lakh.

2.6.4 Barring the offences mentioned above, all other offences under the Customs Act are bailable. Similar changes have been made in the Central Excise Act, 1944 and Finance Act, 1994 (relating to Service tax).

2.7 Anti-Smuggling Unit: The Anti-Smuggling Unit (AS Unit) of Central Board of Excise and Customs (CBEC) provides an enabling environment to officers working in DRI / DGCEI and other field formations of CBEC by providing anti-smuggling equipment, vehicles, updated policy guidelines and operating procedures to detect and curb evasion of Customs duty and frauds and to augment revenue. In the FY 2013-14 (up to Sept, 2013), following achievements and initiatives were taken by AS Unit.

- a) To curb duty evasion overseas, India has signed Customs Mutual Assistance Agreements (CMAAs) and Memoranda of Understanding (MoUs) with other countries for sharing of intelligence and availing investigation assistance. The Customs Overseas Intelligence Network (COIN) provides actionable intelligence for facilitating seizures of offending goods and to detect evasion of Customs duty. COIN also utilises the platform provided through CMAAs/MoUs to obtain documentary evidence in this regard. Presently nine COIN units are operational abroad. Efforts are being made to create seven more COIN units in consultation with Ministry of External Affairs
- b) The Directorate General of Revenue Intelligence (DRI), inter alia, disseminates information about new modus operandi of duty evaders and smugglers by sharing details of important cases booked by it through issue of alert circulars. The alert circulars are also used for targeting in the Risk Management Framework. The field formations and DRI also share the information /intelligence and details of cases with other agencies directly as well as by reporting to the Central Economic Intelligence Bureau (CEIB) and at Regional Economic Intelligence Councils (REIC) meetings. Policy directions issued by the Finance Minister in the Economic Intelligence Council (EIC) meetings are circulated by Anti-Smuggling Unit to DRI, DGCEI and field formations for compliance.
- c) The National Import Database (NIDB) and Export Commodity Data Base (ECDB) help in detecting under-valuation/misdeclaration of imported/export goods, which is reported to be the oft-used route for Customs commercial frauds and Trade Based Money Laundering (TBML). The Intelligence Support System (ISS) developed by DGRI generates workable intelligence by analysing macro-level inputs which helps in detection of commercial fraud, evasion of customs duty and misuse of export incentive. Trends in smuggling report is issued from time for the guidance of field formations.
- d) The list of sensitive commodities prone to smuggling, are circulated to field formations on the basis of cases detected in the past. These include Narcotics & Other Psychotropic Substances, Gold, FICN, Red Sanders, and Memory Cards etc. The major commodities prone to evasion in terms of commercial frauds are Betel Nuts, Parts & Accessories, Non Edible Crude Palm Oil, Iron Ore Concentrate, Aircrafts, Cigarettes, Ozone Depleting Substances (R -22 Gas), Garments & Accessories etc.
- e) During the year, as part of the institutional support for the field formations, revised Arrest Guidelines have been issued, Annual Action Plan for acquisition for anti-smuggling equipments has been prepared, the norms for weapon requirement for field formations has been finalised and Indian Customs Canine Squad Manual for a Sniffer Dog Establishment has been issued.

Procurement of Anti-Smuggling Equipments:

- f) Fixed X-Ray Container Scanners: - Cabinet has approved the installation and commissioning of four Advanced X-Ray Inspection Systems (AXIS) at Mumbai, Chennai, Kandla and Tuticorin sea ports. The port-wise supply, construction, commissioning etc. of these scanners is expected to be completed by March - June 2014.
- g) Mobile Gamma Ray Container Scanner: - Cabinet has approved installation and commissioning of three Mobile Gamma Ray Container Scanners at Kandla, Chennai and Tuticorin seaports. They are expected to be installed by March, 2014.
- h) A proposal for deployment of three modern generation X-Ray Drive-through (Road) Container Scanners having higher throughput of about 120 containers per hour at major ports like Nhava Sheva, Cochin and Mundra Port and one Pilot Rail Scanner at Gateway of Nhava Sheva is under consideration.
- i) High Energy X-Ray Cargo/ Pallet Scanners (HEXS): - CBEC has approved procurement of four High Energy X-Ray Cargo Inspection Systems/ Pallet Scanners for installation in the Trade Facilitation Centres at Salamabad and Chaka-da-Bad at the Indo-Pak border in J & K. These machines have been installed at Chaka-da-Bad and Salamabad.

- j) Procurement of 87 X-Ray Baggage Inspection Systems (XBISs): - Sanction has been accorded for purchase of 87 X-Ray Baggage Inspection Systems (XBISs) and same have been received for their deployments in the customs field formations such as Airports, Air Cargo Complexes, Sea Ports/ ICDs, LCSs, FPOs and CFSS/ UB Centres. The requirements of field formations for 76 additional new generation XBIS has already been approved by the Board and further action regarding its procurement and installation have been initiated.
- k) Carat Meters: - Sanction for procurement of 18 Carat Meters to evaluate the purity of gold and silver under Drawback scheme for installation at Customs Houses (Air Cargo Complexes) specified for export of gold & silver jewellery have been obtained and draft tender document has been sent to Ministry of Law for vetting. These equipments are likely to be deployed in next financial year.

2.8 Anti-Smuggling Performance of DRI and Commissionerates at a Glance: Supported with the above logistics and institutional support, the DRI and field formations of CBEC have performed well. The results achieved include details of seizures made, commercial fraud cases detected, persons arrested, and persons detained by Customs Authorities:

2.9 Anti-Smuggling Performance

(₹ in crore)

Sr.no.	Item of Work	2011-12		2012-13		2013-14 Up to Sep 2013	
		Number	Value/Duty	Number	Value/Duty	Number	Duty
1	Seizures	25537	4522.89	28317	3079.43	7561	25535.71
	Gold	486	46.43	871	99.34	299	6237.37
	Narcotics	480	1711.93	470	969.15	113	13726.45
	FICN (Face Value)	25	2.64	21	2.23	00	00
	Others	23797	728.37	26375	386.24	7149	5571.89
	Commercial Fraud	749	2033.52	580	1622.47	112	31107.79
2	Commercial Fraud Cases Detected	5333	2198.20	5390	5970.38	864	17812.76
	Under Valuation	558	498.84	1961	320.2	71	647.42
	Mis-declaration	1386	913.32	1217	2673.12	240	5737.93
	Misuse of DEEC/Advance License Scheme	6	14.02	11	139.99	1	18.78
	Misuse of DEPB Scheme	59	25.42	18	22.94	0	0
	Misuse of EPCG Scheme	30	82.41	25	231.85	2	373.32
	Misuse of EOU/EPZ/SEZ Scheme	9	9.88	9	44.13	1	6.13
	Misuse of Drawback Scheme	138	31.06	175	825.82	38	3575.16
	Misuse of end-use & other notifications	104	343.34	220	1609.92	67	1363.48
	Others	3043	279.91	1754	102.41	482	9665.70
3	Duty Recovered	6243	610.63	6757	1603.52	976	4656.96
4	Persons arrested	597		575		231	
5	Persons detained	35		28		5	

2.10. Litigation & Adjudication Policy: During the year, CBEC has taken several measures to streamline the process of Departmental adjudication and litigation before various appellate authorities and judicial fora. These include:

- (a) Creation of six additional benches of CESTAT in Delhi, Mumbai and Chennai and setting up new benches in Allahabad, Chandigarh and Hyderabad.
- (b) The monetary limit of single member bench has been increased from ₹10 lakh to ₹15 lakh in the Finance Act, 2013.
- (c) Several changes have been made in the procedure for examination of the proposals to file the SLP in the Supreme Court. This has been done with a view to avoid filing of SLP in a mechanical manner on frivolous grounds, resulting in less number of SLPs and civil appeals having been filed in Supreme Court in 2012-13 as compared to previous year.

2.11 Drawback Division performs the following functions:

- i. Fixation of All Industry rates of Duty Drawback;
- ii. Monitoring of sanction and disbursal of drawback by the field formations; and
- iii. Liaisoning with the DGFT on all export promotion (EP) schemes, their operationalization and monitoring (except SEZ, EOU and Gem and Jewellery schemes which are being monitored by the DGEP).

2.12 Achievements during the calendar year 2013: The major work done by the Drawback Division during the period 01.01.2013 to 31.12.2013 is as follows:

2.13 Foreign Trade Policy

- (A) The import of catalyst was allowed under EPCG Authorization vide Notification no. 3/2013-Customs dated 13.02.2013.
- (B) Vishakhapatnam Airport and Kattupalli (Tamil Nadu) port were included in the list of Airports/ports in Export Promotion Customs Notifications vide notification no. 4/2013-Customs dated 14.02.2013 and notification no. 20/2013-Customs dated 03.04.2013 respectively.
- (C) Two notifications nos. 5/2013-Customs and 6/2013-customs both dated 18.02.2013 were issued to implement post export EPCG duty credit scheme under Chapter 5 of Foreign Trade Policy (FTP).
- (D) Two notification nos. 2/2013-Central Excise and 3/2013-Central Excise both dated 18.02.2013 were issued to enable the use of duty credit scrips (granted under post export EPCG Duty Credit Scheme under Chapter 5 of the FTP) for procuring goods from domestic manufacturers by debit of central excise duties in the scrip, subject to conditions specified in the exemption notifications.
- (E) Norms for execution of bank guarantee in respect of EPCG schemes were relaxed vide circular no. 8/2013 dated 04.03.2013.
- (F) The changes announced in the Annual Supplement 2013-14 to the Foreign Trade Policy 2009-14 by Ministry of Commerce on 18th April, 2013 were implemented vide Notification Nos. 21/2013-Cus, 22/2013-Cus, 23/2013-Cus, 24/2013-Cus, 14/2013-Central Excise, 15/2013-Central Excise, 6/2013-Service Tax, 7/2013-Service Tax, 8/2013-Service Tax, all dated 18.4.2013, 17/2013-Central Excise and 29/2013-Cus, both dated 16.5.2013 32/2013-Customs, 21/2013-Central Excise and 11/2013- Service Tax, all dated 13.6.2013 and Notification No. 46/2013-Customs dated 26.09.2013. Among the changes implemented are:-
 - (i) A single zero duty EPCG scheme for all sectors was notified. This rationalized and harmonized the earlier two EPCG schemes of zero and 3% duty. The definition of 'export obligation' has been made stricter. Units in Jammu and Kashmir have been permitted lowered specific EO like the units North Eastern States and Sikkim. The restrictions on simultaneously availing TUFs and single zero duty EPCG have been removed. Consequently, a single Post Export EPCG Duty Credit Scrip Scheme was also notified. In this, all duties are paid in cash at time of import and the basic duty is granted as remission in the form of a duty credit scrip in proportion to export obligation fulfilled.

- (ii) The usage of duty credit scrips that would be issued under the Incremental Exports Incentivisation Scheme on annual basis for 2013-14 (a variant of the Focus Market Scheme), was notified by amendment to Focus Market Scheme;
- (iii) The freely transferable reward scrips (FMS, FPS, VKGUY) were enabled for utilization for payment of service tax on procurement of services;
- (iv) Import of cars, etc as commercially registered Tourist vehicles for hotel and tourism industry was brought under usage of Served From India Scheme (SFIS) scrip and it was deleted from the EPCG scheme.
- (v) Exemption from anti-dumping duty and safeguard duty under Duty Free Import Authorization (DFIA) was made applicable only in case of actual user. On transfer of DFIA this facility was withdrawn.
- (vi) Under Served from India Scheme (SFIS) duty credit scrips, in the case of service provider who is also engaged in manufacturing activity, the import of capital goods including spares related to its manufacturing sector business has been permitted, subject to certain conditions.
- (vii) In the case of Agri. Infrastructure Incentive Scrip (AIIS) issued to Status Holders, transferability of the scrip to a supporting manufacturer has been allowed, subject to conditions.
- (viii) Under Status Holders Incentive Scrip (SHIS) issued to Status Holders, the transferability of the duty credit scrip has been allowed within the group company which is a manufacturer, subject to conditions.
- (ix) 36 Notifications pertaining to Advance Licences, DEEC, Advance Authorisations, DFIA and EPCG Schemes for the Policy period 1992-1997 to 2004-2009 amended for implementing the option to close cases of default in EO notified by the DGFT.

(G) Foreign Post Office, New Delhi included as port of export in Export Promotion customs Notifications vide notification no. 38/2013-Customs dated 26.07.2013.

2.14 Drawback Schedule: The All Industry Rates of Duty Drawback Schedule 2013-14 has been notified with effect from 21.09.2013 vide notification no. 98/2013-Cus (N.T.) dated 14.09.2013. The salient features of the Schedule are :-

- (a) All Industry Rate (AIR) of Duty Drawback on many items, that were already covered under the drawback schedule prior to incorporation of erstwhile DEPB items, have been reduced and on few items like gold and silver jewellery, silk yarn, silk fabric, silk garments and made-ups, wooden art-ware etc. have been increased.
- (b) The residuary AIR of 1% (composite) and 0.3% (customs) has been provided to hitherto Nil rated items under chapters 4, 15, 22, few items in chapter 24 and casein and its derivatives in chapter 35. AIR has also been provided to articles of silver (silversmiths' wares) subject to similar conditions as applicable to gold/silver jewellery and the Notes and Conditions (22)/(23) of the said Notification shall also have relevance.
- (c) The specific rate provided to Ethanol/ENA under tariff item no. 22071090 has been changed to *ad valorem* 1% (composite) and 0.3% (customs). *Ad valorem rates* have been provided to certain items of chapter 37 and imitation jewellery of chapter 71.
- (d) Though, the existing residuary rate of 1% *ad valorem* (composite) and 0.3% (customs) continues, the higher residuary rates have been reduced from 1.5% to 1.3% (customs) or from 2% to 1.7% (customs), as the case may be.
- (e) The process of realignment of rates, on items incorporated in the drawback schedule from the erstwhile DEPB scheme, was continued along with rationalizing these rates. In general, AIR on these items have been reduced including some to the applicable residuary rate. In the case of certain electronic goods of chapter 84, 85 or 93, the residuary rate has been provided at 1% (customs).
- (f) In the case of most tariff items with *ad valorem* all industry rates above 2%, the rates have been supplemented with drawback caps.

- (g) Separate tariff entries have been created for cotton bags, grey and dyed knitted fabrics of cotton, of MMF, of blend where cotton predominates and of blends where MMF predominates, grey and dyed cotton fabrics with lycra, women's/girls' tops, embroidered fabrics of MMF, imitation jewellery of glass, multi-speed complete bicycle with geared hubs, cranks made of aluminum, single speed chain wheel and crank (crank made of aluminum), pillows/cushions/quilts/pouffles filled with poly-fil/polyfill, etc. A few tariff items have also been replicated with same rates and caps under different four digit levels and descriptions of certain tariff items have been modified to address classification issues.
- (h) AIR of Duty Drawback have been provided on milk, milk products, casein and its derivatives and AIR withdrawn on wheat.

2.15 Other aspects relating to Drawback: Vide instructions dated 11.10.2013, Board's instructions dated 26.08.2005 issued form F.No. 609/110/2005-DBK regarding grant of provisional brand rate, were reiterated and a time limit of seven days was fixed for issue of provisional brand rate letter in case claim is made under Rule 7 of the Drawback Rules, 1995.

2.16. Reforms And Trade Facilitation Measures: CBEC has been an early starter in introducing reforms and substantial reforms have already been carried out in the Central Excise laws and procedures since 1994. The object of these reforms was to repose a greater trust in the tax-payers and bring about a substantial improvement in the delivery system and compliance through automation and trade facilitation measures. CBEC has also undertaken a number of e-governance initiatives with the objective of improving tax-payer services, transparency, accountability and efficiency in the indirect tax administration in India. These applications have automated all major processes in Customs, Central Excise and Service Tax through web-based and workflow-based systems, reducing the physical interface between the tax payers and the Departmental officers, thereby reducing discretion and opportunity for corrupt practices. Details of the important trade facilitation measures are as below :

2.17 Customs: Customs has initiated meaningful and effective trade facilitation that reduces transaction costs through the following measures for tax payers:

2.18. Automation in Customs: CBEC had modified the Indian Customs EDI System (ICES) in 2009, which has been launched in 109 Customs locations in the country. The Indian Customs EDI Gateway (ICEGATE), the gateway portal hosts a number of services for the EDI partners and provides facilities for e-filing of documents from anywhere at any time (24/7). ICEGATE and ICES 1.5 are serving about 6.7 lakh importers/ exporters and handling nearly 98% of India's International trade. CBEC is among the first Departments that has adopted Information Technology Infrastructure Library (ITIL) framework to provide IT services to end users in a consistent manner. The following taxpayer services have been provided to the importers and exporters:

- a) E-filing of Bills of Entry, Shipping Bills, IGM/EGM with electronic acknowledgements
- b) An Accredited Clients Programme (ACP) whereby trusted importers are extended the facility of fast track custom clearance.
- c) Connectivity with 17 types of Stakeholders such as Custodian, Port Authorities, Shipping Lines, Airlines, Custom Brokers, DGFT, Banks and other Government Agencies, through electronic messages. This eliminates the need for paper movement across agencies and across locations.
- d) Facility of electronic payment of duties.
- e) Selective appraisal and examination through the Risk Management System
- f) Facility of filing of Bills of Entry and Shipping Bills through Service Centers
- g) Documents processed on a First-Come- First-served basis and status can be tracked.
- h) Drawback is directly credited to exporters' bank accounts.
- i) Electronic Refund of Service Tax paid on exports
- j) Uniform applicability of duty rates and trade policy across the country
- k) Centralized Bond Management and elimination of Release Advices has enabled traders to file bond at any location and effect clearance from any other location.
- l) Electronic transmission of Shipping Bills to DGFT and online receipt of licences has reduced physical interface with the Departments and has also reduced time and cost of transaction

- m) Round the clock Helpdesk with toll-free number
- n) Automated Recording and Targeting System (ARTS) provides protection of Intellectual Property Rights (IPR)

2.19 Self Assessment: Self Assessment of Customs duty by importers or exporters was introduced vide Finance Act, 2011. This is a paradigm shift from assessment by Departmental officers to a trust based system of self- assessment. The objective is to expedite release of imported / export goods. The interest of revenue in terms of ensuring correct declarations and duty payment is ensured by an electronic Risk Management System (RMS) that identifies risky consignments for assessment or examination or both. The shift to Self Assessment is aimed at increasing the facilitation level of consignments imported through Air, Sea and Inland Container Depots (ICDs) from the present 60%, 50% and 40% to 80%, 70% and 60%, respectively.

2.20 On Site Post Clearance Audit (OSPCA) Scheme: The scheme for 'On Site Post Clearance Audit' (OSPCA) has been implemented for importers registered under the Customs Accredited Client Programme (ACP). This scheme is aimed at facilitating Customs clearance of goods and reducing dwell time. At the same time, interest of revenue is safeguarded by a comprehensive verification of records and documents at the premises of the importer / exporter on annual basis. Other categories of importers/ exporters shall be considered for inclusion later.

2.21 Authorized Economic Operator Programme: Indian Customs Authorized Economic Operator (AEO) Programme has been developed pursuant to World Customs Organization adoption of SAFE Framework of Standards. The programme aims to provide businesses in international supply chain with an internationally recognized quality work highlighting a business role in a secured supply chain and compliance to laws. The full fledged Indian AEO programme was rolled out by the CBEC in 2012 and currently 16 applications are being processed at AEO centers at Regional Units as well as at Headquarters. For wide publicity of AEO programme, pamphlets, posters and advertisements have been circulated amongst the field formations and local newspapers through the Directorate of Publicity and Public Relations. Trade sensitization programmes in zones is currently underway.

2.22 24x7 Customs Clearance:

- (i) In order to facilitate importers and exporters, CBEC began 24x7 Customs clearance from 2012 at identified Air Cargo Complexes, viz., Bangalore, Chennai, Delhi and Mumbai; and Sea Ports viz. Nhava Sheva, Kandla, Chennai and Kolkata in respect of certain categories of imports and exports. This facility has now been extended and presently covers 17 Air Cargo Complexes and 4 Sea Ports.
- (ii) Clearance of indigenously manufactured goods has been allowed to Duty Free Shops located in the arrival and departure halls of the international airports. The permissible allowance including the restrictions and prohibitions, if any applicable to passengers and members of crew for purchase of the indigenous goods is governed by the same Baggage Rules that govern the imported goods.
- (iii) Risk Management System (RMS) for exports was introduced with effect from 15.07.2013 at ICDs Patparganj and Mulund. The aim is to expedite the flow of export goods, reduce dwell time port congestion by limiting examination to the risky consignments on the basis of risk parameters.

2.23 International Customs Division: The proposal to defreeze the tariff values of imported edible oils, (which had not been revised since August 2006) was implemented on receiving approval of CCEA. This is also a revenue positive measure, as it resulted in increase in the tariff values by over 70%. Tariff value has been introduced on Arecanut to curb under-valuation. The value of most of the imported consignments was earlier being declared in the range of US \$ 700 – 800 per MT. The present tariff value is US \$ 1816/ MT. This Department has taken a central role in coordinating with various border agencies for facilitation of trade at land borders. This includes holding educational seminars for stake holders on regulatory requirements and pursuing issues of OGA requirements with other Ministries for resolution. In this regard, two Seminars were held in Guwahati and Amritsar where the representatives of the regulatory agencies concerned with imports/exports interacted with trade. Section 69 of the Customs Act, 1962 was amended to allow for re-export of goods through Post, which were earlier imported by any mode of transport and warehoused, was approved. This could help Indian FPO to become a major transit hub. A scheme for allowing exports through Posts under Export Promotion Reward Schemes has been operationalised.

2.24 Interactive website: Indian Customs has developed a user friendly interactive website to enable importers / exporters to know tariff classification, applicable rate of Customs duty and other regulatory requirements for clearance of goods. Interactive website is an effective tool to help educate traders for making correct assessment of duty after introduction of self assessment in Customs.

2.25 Central Excise and Service Tax: CBEC has implemented the Automation of Central Excise and Service Tax (ACES) project, a Mission Mode Project (MMP) of the Govt. of India under the National e-Governance Plan. ACES has transformed the way about 20 lakh indirect taxpayers conduct their business with the Department. The application has been rolled-out nationally in 2009 in all 104 Commissionerates.

The following Taxpayer Services are provided under ACES:

- (i) Online PAN-based Registration of Central Excise & Service Tax Assesses and online amendment. ACES provides for online validation of PAN with the Income Tax database so that when any taxpayer enters a wrong PAN, the system will indicate the same.
- (ii) Electronic filing of Claims, Permissions, Intimations and processing thereof
- (iii) Instant e-acknowledgement of documents with Document Identification Number
- (iv) Viewing, filing and tracking the status of documents online
- (v) Facility of e-Payment and checking status online
- (vi) Online Revenue Reconciliation
- (vii) Online Messages/ Alerts to users on business related matters
- (viii) Online information to assesses about issuance of Show Cause Notice, Personal Hearing and Orders passed by Adjudicating Authorities
- (ix) Online filing of replies to Show cause Notices
- (x) Online filing of application for Provisional Assessment
- (xi) Online filing and processing of Refund Claims
- (xii) Online filing of selected Export related documents

2.26 Simplified Service Tax Refund Procedure: A simplified electronic Service Tax Refund mechanism beneficial to the exporting community, especially merchant exporters was introduced wherein the tax refund process, which is dealt with by the designated Central Excise and Service Tax officers, is electronically enabled under the Customs application -ICES 1.5.

2.27 SEVOTTAM: As a part of the Central Government initiative to improve the quality of public services, the Central Board of Excise & Customs (CBEC) has been identified as one of the 10 organizations with large citizen interface to implement the quality management system for public services. This is based on Indian Standard IS 15700:2005, prepared by the Bureau of Indian Standards (BIS), under the name of "SEVOTTAM". As such at present 13 offices under CBEC is Sevottam Certified and 8 more Sevottam offices are ready for certification Audit. The Department has also selected 47 Commissionerates for Phase-III roll out.

2.28 Cadre Review Of CBEC: For meeting the functional requirements of staff and streamlining the organizational structure, the Government has approved cadre restructuring of CBEC, resulting in creation of 18067 additional posts at various levels. CBEC has also digitized annual confidential reports of all IRS (C & CE) officers.

2.29 E-Helpline: CBEC has launched an e-helpline facility at the Zonal levels for clarifying the doubts of trade and industry in an administration friendly manner without the assessee having to come to offices of the Department. Taxpayers can also use the e helpline for resolving procedural delays.

3. State Taxes:

3.1 Value Added Tax (VAT): VAT being a State subject, the Central Government has played the role of a facilitator for successful implementation of VAT. Some of the steps taken by the Central Government are listed below:

- A package for payment of compensation to States for any revenue loss on account of introduction of VAT has been implemented. An amount of ₹ 19002.82 crore has been released by Central Government to States till date on account of claims filed by the States for the years 2005-06, 2006-07 & 2007-08.

- Technical and financial support on 100% basis has been provided to North Eastern States to enable them to take up computerization of their VAT administrations. A project for computerization of VAT administration in Himachal Pradesh and Jammu & Kashmir with overall cost of ₹ 40.49 crore has been sanctioned. A Mission Mode project for computerization of VAT administrations of States and UTs has been launched.
- 50% funding has been provided to the Empowered Committee of State Finance Ministers for implementation of the Tax Information Exchange System (TINXSYS) Project for tracking of inter-State transactions.
- As a part of support for institutional capacity building and their up-gradation into national level institutes of public finance and policy, two institutes namely, Centre for Taxation Studies, Kerala and Centre for Studies in Social Sciences, Kolkata have been provided ₹ 14 crore each.

3.2 Central Sales Tax (CST): The CST being an origin-based non-rebatable tax, is inconsistent with the destination based taxation concept of VAT. CST rate had been reduced from 4% to 3% w.e.f. 01.04.2007. The CST rate has further been reduced from 3% to 2% w.e.f. 1st June, 2008. A package of compensation to the States for revenue loss on account of phasing out of the CST had been agreed to. The States have been compensated through a combination of revenue enhancing measures and budgetary support. As measures for enhancing revenue and thereby compensating the States for CST revenue loss, the facility of interstate purchases by Government Departments at concessional CST rate against Form-D had been withdrawn w.e.f. 01.04.2007. Also, enabling provisions had been made for States to levy VAT on Tobacco and Tobacco Products without losing any part of the devolution of Central taxes to the States. For the residual losses thereafter, the Central Government has further released ₹ 30860.42 crores to States till date as compensation for the loss due to reduction of rate of CST for the years 2007-08, 2008-09, 2009-10 & 2010-11. An amount of ₹ 9000 crore has been provided in the Budget 2013-14 for the CST compensation to States by the Union Government of India.

3.3 Goods and Services Tax (GST): After a prolonged discussion with States, the Constitution (115th Amendment) Bill, to further amend the constitution to enable introduction of GST was introduced in the Lok Sabha on 22.03.2011. As per the practice, the Bill was sent for the consideration of Standing Committee on Finance (SFC), Lok Sabha, which submitted its report to the Lok Sabha on 7th August, 2013. Presently it is under consultation process with EC/States.

3.4 Indian Stamp Act, 1899: A comprehensive Review of Indian Stamp Act, 1899 has been undertaken. Consultation with State Governments and Central Ministries is complete. The vetting of the draft Indian Stamp (Amendment) Bill in consultation with Department of Legal Affairs and Legislative Department and states (Central Ministries are in process.)

3.5 Work done on the development of North Eastern Region and Sikkim: A project for computerization of VAT administration of North-Eastern States (NEVAT) was taken up in 2005. This project was being implemented through M/S TCS. The AMC contract tenure of the project ended on 31.3.2011 and all assets of project except common assets were distributed among the respective States. Thereafter computerization of VAT administration of North-Eastern States were continued under Mission Mode Project (MMP-CT) of Commercial Taxes, wherein Gol is providing 90% of financial assistance to NE States to develop and upgrade their IT systems of their commercial taxes administrations.

3.6 E-Governance Activities:

3.6.1 Special Purpose Vehicle for Goods & Services Tax Network: The smooth roll out of GST would rest on a robust computerized environment of tax administration. Accordingly, in pursuance of the Cabinet decision, an SPV for GST Network, to take care of IT requirement has been set up by the Government on 28th February, 2013. Shri Navin Kumar has been appointed as Chairman of the GSTN-SPV.

3.6.2 Mission Mode Project (MMP-CT) on Commercial Taxes: Under the National e-Governance Plan (NEGP), the Department of Revenue has implemented the Mission Mode Project (MMP-CT) on Commercial Taxes. The Cabinet in February, 2010 approved the MMP-CT under NeGP. This project, with an overall cost of ₹ 1133.44 crore, will help States/UTs to develop and upgrade the IT systems in their commercial taxes administrations. The focus of the project, on the one hand, is to provide an improved set of services to the dealers and on the other, to improve the efficiency of the Commercial Taxes administrations of the State Governments. A Project Empowered Committee (PEC) chaired by Revenue Secretary has been set up to consider and approve individual projects submitted by the States and UTs. The PEC has so far examined the project proposal of 33 States and UTs and approved it with overall project cost of 1029.70

crore out of which Central share is ₹ 725 crore. An amount of ₹ 570.69 crore has been released to respective States/UTs as Central share as on 30th November, 2013.

3.6.3 VAT computerization for Jammu & Kashmir and Himachal Pradesh: A project for computerization of VAT administration of J&K and Himachal Pradesh have been approved with total project cost of ₹ 40.49 crore, of which the Central share of assistance is ₹ 25.33 crore. The responsibility of undertaking VAT computerization for J&K and HP has been entrusted to the Empowered Committee of State Finance Ministers (EC) on the request of these States. As on 30th November, 2013, an amount of ₹ 12.99 crore has been released to EC by Department of Revenue for the approved project activities. Project Monitoring Committees at Central Level as well as State level have been set up to monitor the progress of the project on a regular basis.

3.6.4 Tax information Exchange System (TINXSYS): Tax information Exchange System (TINXSYS) is a project to facilitate effective tracking of inter-state transactions. The project is designed to facilitate Commercial Tax Departments of various States and Union Territories to exchange the data regarding the interstate trade and help them in checking evasion of tax. The project is under implementation since 1st November, 2004 by Empowered Committee of State Finance Ministers (EC). Government of India has been providing financial support of 50% of the cost of this project while States collectively share the rest. A meeting, to review the progress of TINXSYS project, was held on 21st May, 2013 under chairmanship of Additional Secretary (Revenue). During the meeting, it was noted that this project had received Government of India's support for nearly nine years and further support from the Government of India was not possible beyond 31st March, 2013. It was also felt that the States can easily contribute and carry on the Project. If the Empowered Committee felt the necessity to continue this Project further, it could do with 100% support from the States.

4. ES Cell: After the enactment of Prevention of Money Laundering (Amendment) Act, 2012, the following rules have been framed / amended.

- i) Prevention of Money-laundering (Issuance of Provisional Attachment Order) Rules, 2013 [Notified vide G.S.R. 557 (E) dated 19th August, 2013].
- ii) The Prevention of Money-laundering (Taking Possession of Attached or Frozen Properties confirmed by the Adjudication Authority) Rules, 2013 [Notified vide G.S.R. 558 (E) dated 19th August, 2013].
- iii) The Prevention of Money-laundering (Forms, Search and Seizure of Freezing and the Manner of Forwarding the Reasons and Material to the Adjudicating Authority, Impounding and Custody of Records and the Period of Retention) (Amendment) Rules, 2013 [Notified vide G.S. R. 559 (E) dated 19th August, 2013].
- iv) The Prevention of Money-laundering (Maintenance of Records) (Amendment) Rules, 2013 [Notified vide G.S. R. 576(E) dated 27th August, 2013].

5. Central Economic Intelligence Bureau (CEIB): The CEIB which acts as a nodal agency on Economic Intelligence is presently headed by a Special Secretary-cum-Director General who is assisted by two Deputy Directors General and a Joint Secretary (COFEPOSA). Total sanctioned strength of the Bureau is 113 while presently working are only 63. According to the existing charter, it functions as Secretariat for the Economic Intelligence Council (EIC); and is co-ordinator and repository of Economic Intelligence, and administers COFEPOSA Act, 1974 at Central Government level. As a part of its functions it maintains Data base on Economic offenders and offences, acts as a think tank for Department of Revenue on issues relating to Economic offences, supervises the functioning of 22 Regional Economic Intelligence Council (REICs) organizes training programme for officers of the Department of Revenue/ Members of REICs. The last meeting of the EIC under the chairmanship of Hon'ble Finance Minister was held on 13.09.2013. The Bureau organized two meetings of the Working Group on Intelligence Apparatus pertaining to EIC under the chairmanship of Revenue Secretary on 21.05.2013 & 10.12.2013.

5.1 Major Activities undertaken by the Bureau During the period April to November, 2013:

- During the current year, Intelligence inputs developed by the Bureau as well as those received from other agencies were disseminated to the Member Agencies for further action covering different subjects ranging from tax evasions, bank frauds, misuse of subsidies to FICN etc.
- A Study Group was formed on the issue of Multi Level Marketing which was deliberated in the meeting of the Working Group. The Study Group recommended certain measures relating to empowerment of a Central agency to conduct discreet investigations for which CEIB can be used as a platform for core group to decide which investigative agency would take the lead role.

- The Bureau examined the draft Amendment Bill relating to Prize Chit and Money Circulation Schemes (Banning) Act, 1978 drafted by Inter Ministerial Group (IMG) and made certain recommendations.
- An Inter Ministerial Group on misuse of Urban Co-operative Banks was constituted under the Chairpersonship of SS-cum-DG to devise and institutional mechanism for sharing of inputs between RBI and CEIB relating to information about financial irregularities contained in the inspections report of RBI.
- The consistent and concerted efforts by CEIB resulted in bringing about amendments in the Income Tax Return form by making it mandatory to disclose the source/sources of "*Income from other sources*" to find out the implications of such additional declared income impacting other statutes.
- The Bureau co-ordinated detection and destructions of illicit opium poppy cultivation.
- It maintains a fully operational secured network for online exchange of Intelligence inputs.
- It is maintaining and developing a comprehensive data base of Economic offenders and offences.
- Some major cases coordinated in Bureau are as follows:
 - Based on information from CEIB regarding Ploughing back of concealed income, the DGIT (Inv.), Kolkata was able to detect infusion of unaccounted income of ₹ 1337 crores by a group of companies.
 - CEIB unfolded a case of Bank Fraud where a group consisting of 08 companies has taken more than ₹ 3000 crores from various Public Sector Banks by submitting forged/fake documents and instead of investing this Money in the approved projects diverted more than 95% of the same for other purposes.
 - Evasion of Duty/Tax by Telecom Service providers by providing call charges below market price to its employees and relatives which involve evasion of fringe benefit tax as well as service tax.
 - The CEIB worked upon information relating to new modus operandi of Private Placement Program, a fraudulent investment schemes, which resulted in detection of unaccounted income of ₹ 2280 crores (appx.) so far.
 - CEIB developed information regarding Central Excise Duty evasion which unearthed clandestine clearance of ₹ 60 crore by a manufacturer.
 - The Bureau has forwarded to different law enforcement agencies a list of over 600 names and addresses of individuals/entities of Indian origin who may have parked funds abroad in tax havens.
 - The Bureau developed information on some syndicates in NCR region who are issuing bogus bills without supplying material, worth more than ₹ 2000 crore to various companies.
 - The Bureau shared inputs with CBDT regarding huge amount of unaccounted money laundered through Indian Mercantile Co-operative Bank, Lucknow.
 - During 2013, 1685 cases involving Customs, Central Excise and Service Tax Duty evasion of ₹ 3096 crores and undisclosed income of ₹ 4219 crores which have been culled out from reports received in the Bureau from CBEC & CBDT.
 - The Bureau analysed 29,354 Currency Declaration Forms (CDFs) received from various International Airports in the Country and shared important observations with concerned Intelligence and Investigative Agencies.
 - The modus operandi of Bogus Sales Bills amounting to ₹ 25000 Crores (approx.) was detected by Sales Tax Department at Mumbai which was shared in the REIC. The Bureau disseminated the details of modus operandi and action to be taken to all the Chief Secretaries of States.
 - The persistent action of CEIB to include the issue of Multi Level Marketing Scheme in the EIC meetings and continuous dissemination of information relating to such schemes to

the respective States has resulted in CEIB receiving 33 Suspicious Transaction Reports (STRs) from FIU-IND and feedback from two States i.e. Kerala and Karnataka who have taken effective measures to plug some of the MLM Schemes and arrested a few person and frozen their assets.

- Fake Indian Currency Note Report: Following directions of the National Security Council Secretariat in pursuance of GOM Report, CEIB collects data from RBI, all central law enforcement agencies and State Police in the prescribed proforma regarding printing, smuggling and circulation of Fake Indian Currency and submits a half yearly nation wide comprehensive analysis report on the matter to National Security Council Secretariat. The report was also shared with 22 Regional Economic Intelligence Committees which also have participants from all Economic and other law agencies under the Central and State Govt.
- The overall administration of the COFEPOSA Act, 1974 is one of the functions performed by CEIB. During the period from January to November, 2013, 40 Detention Orders were issued under the Act. 33 persons were actually detained during the said period including those against whom such Orders were passed during previous years.
- The Bureau has received 39 RTI Applications during the period 2013-14 (upto 2.12.2013) out of which 06 were transferred to concerned Public Authorities, 22 were denied information under Section 24(1) of the Act and 05 were replied.
- The Bureau organized 5 programs during 2013-14 to enhance the investigative skills of officers of Deptt. of Revenue in Intelligence gathering technique etc.

6. Integrated Finance Division:

6.1 Activities undertaken by the Integrated Finance Unit: All offices under the Department of Revenue, which *inter-alia* include Revenue headquarters, Central Board of Direct Taxes, Central Board of Excise & Customs, Narcotics Control Division, Central Bureau of Narcotics, Chief Controller of Factories, Central Economic Intelligence Bureau, Financial Intelligence Unit (FIU-IND), Enforcement Directorate, Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Settlement Commission (IT/WT), Authority for Advance Rulings, Appellate Tribunal for Forfeited Property, Adjudicating Authority under PMLA, Income Tax Ombudsman, National Committee for Promotion of Social & Economic Welfare, all field offices of Income Tax Department which include Directorate General of Income Tax (Systems), Directorate General of Income Tax (Legal & Research), Directorate of Income Tax (O&M Services), Directorate of Income Tax (Infrastructure), National Academy of Direct Taxes and other field offices under the Central Board of Direct Taxes, all field offices under Central Board of Excise & Customs which include Directorate General of Systems & Data Management, Directorate General of Human Resource Development, Directorate of Revenue Intelligence, Directorate General of Central Excise Intelligence, Directorate General of Service Tax, National Academy of Customs, Excise & Narcotics, etc., are serviced by the three units of Integrated Finance Division in terms of Budget formulation, allocation, expenditure monitoring, control, enforcing economy, scrutiny and sanction of expenditure proposals beyond the delegated powers of field offices.

6.2 Details of expenditure and financial proposals scrutinized and approved:

- (a) Creation and continuation of posts, construction/purchase/hiring of offices, as well as residential accommodation for the field formations of Central Board of Excise & Customs and Central Board of Direct Taxes, Department of Revenue and its attached offices.
- (b) Procurement of goods and services including procurement of anti-smuggling equipments i.e. scanners and marine vessels.
- (c) Proposals for deputation abroad of officers of the Department, CBDT, CBEC and their field offices.
- (d) Restructuring proposals, redeployment of personnel in field formations and constituent units.
- (e) Comprehensive Computerization of Department of Revenue, its field formation including Customs and Central Excise formations and Income Tax field formations.
- (f) Computerization of States for Value Added Tax (VAT) purposes.
- (g) Proposals from Committee of Management (COM), D/o Revenue which oversees the functioning of Government Opium & Alkaloid Works (GOAWs).

- (h) Grants-in-aid to National Institute of Public Finance & Policy and Central Revenue Sports Board.
- (i) Proposals for Standing Finance Committee (SFC), Committee of Non-Plan Expenditure (CNE) and Cabinet Committee on Economic Affairs (CCEA) relating to comprehensive computerization plan of CBDT/CBEC, capital expenditure involving construction of office/residential complexes and readymade office/residential buildings of all the three Departments, Mission Mode Project for Commercial Taxes (MMP-CT) Project and NEVAT Computerization project.
- (j) Proposals received for sanction of financial assistance from the Customs & Central Excise Welfare Fund and Special Equipment Fund. Revision of norms were finalized in respect of setting up of/refurbishing of recreation/sports clubs, gymnasiums, Departmental Canteens, crèches for children of Departmental officials and guest houses. Scope of cash award scheme for meritorious children with special emphasis on girl children and children of group 'D' staff was revised. As a result, more wards of the employees were benefited.
- (k) Schemes proposed by CBDT/CBEC for utilizing the budget provision under 1% Incremental Revenue Incentive Scheme for obtaining approvals of the competent authority.
- (l) Proposals involving relaxation/interpretation of financial rules and all proposals requiring reference to the Department of Expenditure.

6.3 The expenditure budget/non-tax revenue receipts of Department of Revenue, Direct Taxes and Indirect Taxes for BE 2013-14/RE 2013-14 and BE 2014-15 was prepared, discussed with Secretary (E) and finalized as below :

(₹ in crore)

Grant	Gr. No.	2013-14		2014-15
		BE	RE	BE
D/o Revenue	42	10217.90	773.36	16732.90
Direct Taxes	43	4361.89	4177.54	5092.89
Indirect Taxes	44	3979.50	3943.56	5155.33

6.4 Integrated Finance Division has taken the following steps/initiatives in 2013-14:

- (i) Implementation of Cash Management Plan as per Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocations (QEA) as envisaged by Budget Division.
- (ii) Review of Monthly and Quarterly Expenditure vis-à-vis budgetary allocations and MEP/QEA and report to Revenue Secretary and Expenditure Secretary through quarterly DOs.
- (iii) Enforcement of instructions on economy in expenditure by periodic review of expenditure and advisories to spending authorities for expenditure control in line with the economy instructions issued by the Department of Expenditure.
- (iv) Preparation and review of Outcome Budget and monitoring of Outputs and Outcomes, with reference to the targets and budgetary allocation, was done in respect of important schemes of Implementation of VAT Scheme and compensation to States/UTs for loss of revenue due to implementation of VAT/CST; Setting up of Tax Information Exchange System (TINXSYS); Government Opium & Alkaloid Works; Comprehensive computerization of the Income Tax Department; Acquisition of residential and office accommodation; Strengthening of IT capability for e-governance of CBEC; Acquisition of ships and fleets to strengthen Marine capability & Acquisition of Anti-Smuggling equipments.

6.5 In addition, the allocation and monitoring of the budget relating to advances, viz. House Building Advance, Vehicle Advance, Computer Advance etc. was also done.

6.6 The Integrated Finance Division has been watching the formulation of schemes of important expenditure proposals from their initial stage and also watching the settlement of audit objections, inspection reports, draft audit paras and reports of PAC/Standing Committee.

7. Financial Intelligence Unit-India (FIU-IND): FIU-IND was established by the Government of India vide Office Memorandum dated 18th November, 2004 for coordinating and strengthening collection and sharing of financial intelligence through an effective national, regional and global network to combat money

laundering and related crimes. It is an independent body reporting to the Economic Intelligence Council (EIC) headed by the Finance Minister. For administrative purposes, FIU-IND is under the Department of Revenue, Ministry of Finance. As prescribed under the Prevention of Money Laundering Act (PMLA), 2002 and the rules framed there under, FIU-IND receives reports on cash transactions, suspicious transactions, counterfeit currency transactions and funds received by nonprofit organizations. These reports are filed by the Reporting Entities (REs) i.e. banks, financial institutions and capital market intermediaries. Forward Markets Commission, Commodity Brokers, India Post, Pension Funds and Designated Non Financial Businesses and Professions (DNFBPs) such as Registrars and Sub Registrars of Properties, Dealers of Precious Metals and Goods, Real Estate Agents (as notified) were added as new Reporting Entities consequent to amendments of PML Act, 2002, on 15.02.2013. The amendments to PML Rules have been notified w.e.f. 27th August, 2013 and Cross Border Wire Transfer Report (CBWTR) and Immovable Property Registration Report (IPR) have been added to the list of reports to be filed with FIU-IND by REs. FIU-IND analyzes the reports received and shares intelligence with agencies specified in Section 66 of PMLA or notified there under. FIU-IND maintains a national database of financial transactions reported to it and shares this information with enforcement and intelligence agencies spontaneously and on request. FIU-IND also monitors and identifies strategic and key money laundering trends, typologies and developments based on the analysis of its database.

7.1 Brief on Activities of FIU-IND during calendar Year 2013 (upto November, 2013)

7.1.1 A summary of achievements and highlights of FIU-IND are as under:

- i. 100% of prescribed reports including CTRs and STRs were received in electronic format.
- ii. 60,939 Suspicious Transaction Reports (STRs) were received from the reporting entities. On an average more than 5,500 STRs were received in a month.
- iii. Majority of the STRs were disseminated to Law Enforcement Agencies (3,650) and Intelligence Agencies (758) followed by Regulators and others (85).
- iv. A total of 41,28,689 Cash Transaction Reports (CTRs) were received during the year from Public Sector Banks (21,46,203), Private Indian Banks (16,94,592) Private Foreign Banks (57,033) and others (2,30,451). On an average more than 3.75 lakh CTRs were received in a month.
- v. Over 2.98 lakh Counterfeit Currency Reports (CCRs) were received with a face value of over ₹23.84 crores.
- vi. During the year, 30 seminars and Training Workshops were organized for the benefit of Reporting Entities, which were attended by 2,483 participants.
- vii. 21 Review Meetings were conducted with the Principal Officers of Reporting Entities for enforcing compliance with the obligations under PMLA.
- viii. 20 Training Sessions were organized for Law Enforcement Agencies, which were attended by 813 participants.
- ix. FIU-IND made 65 requests to Foreign FIUs for sharing intelligence and received 85 requests from Foreign FIUs.
- x. FIU-IND received 333 requests from Domestic Intelligence Agencies and 176 Requests from Domestic Law Enforcement Agencies for sharing of information.

8. Tax Administration Reforms Commission

The Government had announced in the Budget for the financial year 2013-14 that it would set up a Tax Administration Reforms Commission (TARC) to review the application of tax policies and tax laws in the context of global best practices and recommend measures for reforms in the tax administration to enhance its effectiveness and efficiency. Accordingly, the Government notified the formation of TARC with Dr. Parthasarathi Shome as its Chairman on 21.08.2013. TARC has two full-time members and four part-time members, two of the part time members are from private sector.

2. The Commission would give its first report on four of the eleven terms of reference by April-May 2014. The Commission has formed a number of groups on various issues with a wide participation from private sector also. It has also held consultation with industry and trade associations at various place.

Chapter IV

Department of Disinvestment

The Department of Disinvestment was set up as a separate Department on 10 December 1999 and later renamed as Ministry of Disinvestment from 6 September 2001.

From 27 May 2004, the Department of Disinvestment is one of the Departments under Ministry of Finance.

1. Mandate

1.1 As per Government of India (Allocation of Business Rules), 1961, the Department of Disinvestment is responsible for disinvestment of Government shareholding in CPSEs. Additionally, it deals with all matters relating to sale of Central Government equity through offer for sale or private placement in erstwhile CPSEs.

2. Disinvestment Policy

2.1 The policy on Disinvestment envisages that:

- (i) Already listed profitable Central Public Sector Enterprises (CPSEs) not meeting the mandatory public shareholding of 10% are to be made compliant by public offering out of Government shareholding or issue of fresh equity by the CPSEs concerned or a combination of both;
- (ii) All unlisted CPSEs having positive net worth, no accumulated losses and having earned net profit for three preceding consecutive years, are to be listed through public offerings out of Government shareholding or issue of fresh equity by the company or a combination of both;
- (iii) Public offerings by listed CPSEs taking into consideration their capital investment requirements with Government of India, simultaneously or independently, offering a portion of its shareholding in such CPSEs.
- (iv) Government retains at least 51 per cent equity and management control in all cases of disinvestment through public offerings.
- (v) Strategic sale in loss making CPSEs is considered on a case by case basis when efforts to revive the CPSE fail.

3. Targets and Achievements

3.1 Budgetary targets and receipts from disinvestment raised during the calendar year 2013 are indicated in the table below:

Financial Year	Budgeted targets (₹ in crore)	Proceeds raised from Disinvestment (₹ in crore)	Details of disinvestment transactions (₹ in crore)
2012-13	30,000	6,905.27 (Apr-Dec 2012)	National Buildings Construction Corporation Ltd. 124.97
		17,050.78 (Jan-Mar 2013)	Hindustan Copper Ltd. 807.03 NMDC Ltd. 5973.27
			Oil India Ltd. 1341.51 NTPC Ltd. 11456.78 Rashtriya Chemicals and Fertilizers Ltd. 310.15 Steel Authority of India Ltd. 1514.50 National Aluminum Company Ltd. 627.84

Financial Year	Budgeted targets (₹ in crore)	Proceeds raised from Disinvestment (₹ in crore)	Details of disinvestment transactions (₹ in crore)	
2013-14	40000.00	5,093.82 (April-Dec 2013) *	MMTC Ltd.	571.71
			Hindustan Copper Ltd.	259.56
			Neyveli Lignite Corporation Ltd.	358.21
			National Fertilizers Ltd.	101.08
			State Trading Corporation Ltd.	4.54
			India Tourism Development Corpn. Ltd.	30.17
			NHPC Ltd.	2131.28
			PGCIL	1637.32

*Note: Till 31st March, 2014 the Department plans to achieve the target substantially.

3.2 Seven of these CPSEs, viz., Rashtriya Chemicals & Fertilizers Ltd., MMTC Ltd., Hindustan Copper Ltd., National Fertilizers Ltd., India Tourism Development Corporation, State Trading Corporation Ltd. and Neyveli Lignite Corporation Ltd. were made compliant with the requirement of minimum public shareholding norm of ten per cent.

3.3 In addition, below mentioned six loss-making companies were made compliant with the requirement of minimum public shareholding norm of ten per cent. A Special National Investment Fund was created in August 2013 wherein the shares of these companies have been transferred on irrevocable basis and will be sold within a period of five years and the amounts so realized shall be used for social sector schemes.

- (1) Andrew Yule & Company Ltd.
- (2) Fertilizers & Chemicals (Travancore) Ltd.
- (3) Hindustan Photo Films Manufacturing Co. Ltd.
- (4) HMT LTD.
- (5) I T I LTD.
- (6) Scooters India Ltd.

4. Disinvestment cases under Implementation:

4.1 During 2013-14 the following cases for disinvestment have been approved and are in process:

S. No.	Name of CPSE	%age of disinvestment
1	Engineers India Ltd.	10
2.	Indian Oil Corporation Ltd.	10
3.	Hindustan Aeronautics Ltd.	10
4.	Bharat Heavy Electricals Limited	5
5.	Rashtriya Ispat Nigam Ltd.	10
6	CPSE Exchange Traded Fund	

5. Utilization of Disinvestment Proceeds

5.1 Government has decided that from financial year 2013-14, the disinvestment proceeds will be deposited in the National Investment Fund (NIF) and these proceeds will be available for recapitalization needs of Public Sector Banks, Public Sector Insurance Companies and CPSEs etc. The proceeds will also be available for equity support to Metro Projects and budgetary support to the Railways.

Chapter V

Department of Financial Services

1. Capital infusion in Public Sector Banks (PSBs)

- The capital infusion by the Government in PSBs is done with the twin objective of adequately meeting the credit requirement of the productive sectors of economy as well as to maintain regulatory capital adequacy ratios in PSBs.
- The Government of India, as the majority shareholder, is committed to keep all PSBs adequately capitalized. Government's infusion of capital in PSBs is in addition to their internally generated capital to enable the banks to maintain a comfortable level of Tier I CRAR.
- An amount of ₹.12,517 crore was infused in 13 PSBs during 2012-13.
- A provision of ₹.14,000 crore has been made in the Budget Estimates of 2013-14 for the recapitalization of PSBs. The process of infusion in 20 public sector banks through preferential allotment of equity is in process. Capital has been infused in PSBs except UCO Bank where Annual General Meeting is yet to take place.

2. Entry of banks in Insurance Broking Business – Budget announcement

- Hon'ble FM, in his Budget Speech 2013-14, announced that Banks will be permitted to act as insurance brokers so that the entire network of bank branches will be utilised to increase penetration.
- Consequent to the announcement, IRDA has formulated and notified the IRDA (Licensing of Banks as Insurance Brokers) Regulations, 2013 to enable banks to take up the business of insurance broking departmentally.
- Reserve Bank of India has also issued guidelines on 29.11.2013 to all Scheduled Commercial Bank and decided to permit banks to undertake insurance broking business departmentally subject to the requirements, including the minimum eligibility criteria.
- In the light of guidelines of RBI, this Department has issued an advisory on 20.12.2013 to all public sector banks to implement this decision.

3. Women's Bank – Bharatiya Mahila Bank

- The Government has established India's first Women's Bank, Bharatiya Mahila Bank (BMB) to achieve numerous objectives including empowerment of women, facilitating their access to financial services, promoting diversified asset ownership and women entrepreneurship thereby providing impetus to the process of inclusive growth.
- The BMB was inaugurated by the Hon'ble Prime Minister in Mumbai on 19.11.2013 and has commenced its operations at eight more centres, viz. Ahmedabad, Bengaluru, Chennai, Guwahati, Indore, Kolkata, Lucknow and New Delhi. As part of its initial expansion plan, BMB proposes to open a branch at all State capitals by March, 2014.

4. New Banking Licence in the Private Sector

- Reserve Bank of India (RBI) vide its Press Release dated 22.02.2013, has released "Guidelines for Licences of New Banks in the Private Sector".
- Key features of the guidelines include eligible promoters; 'fit and proper' criteria; corporate structure of the Non-Operative Financial Holding Company (NOHFC); minimum voting equity capital requirements for bank and shareholding by NOHFC; regulatory framework; foreign shareholding in the bank; corporate governance of NOHFC; prudential norms for the NOHFC; exposure norms; business plan for the bank; other conditions for the bank and additional conditions for NBFCs promoting/ converting into a bank.

- The guidelines place emphasis on financial inclusion. Applicants will be required to submit their business plan for financial inclusion along with their applications. These guidelines impose social obligations on the promoters / promoter group by way of mandating opening of 25 per cent bank branches in unbanked rural centres (population upto 9,999 as per the latest census) to avoid over concentration of their branches in the metropolitan areas and cities which are already having adequate banking presence and compliance with Priority Sector Lending (PSL) targets as applicable to the existing domestic banks.
- The last date of receipt of applications for licencing of new banks was 01.07.2013. In all, RBI had received 26 applications out of which one application has been withdrawn.
- RBI has constituted a High Level Advisory Committee under the Chairmanship of Dr. Bimal Jalan, former Governor (RBI) for screening of applications for new banks in the private sector. The Committee is expected to complete its work by 1st quarter of the year 2014 and submit its report alongwith the recommendations to RBI.

5. Debts Recovery Tribunals

- The Central Government has established 33 Debts Recovery Tribunals (DRTs) and 5 Debts Recovery Appellate Tribunals (DRATs) all over the country under the provisions of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 for expeditious adjudication and speedy recovery of debts due of banks and financial institutions and matters connected therewith.
- The role of DRTs has been further enhanced by enactment of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, which provides for aggrieved parties to make appeals before the DRTs.
- To remove certain difficulties being faced by the banks in conducting the recovery proceedings under the above two Acts. The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012 has been enacted on 4th January, 2013.
- As against disposal of 9395 cases involving a recovery of ₹16,321 crore approximately in the year 2012, DRTs have disposed of 11036 cases involving a recovery of ₹ 21,337 crore in the year 2013.

6. Financial Inclusion

• **Expansion of ATM network by Public Sector Banks (PSBs)**

Pursuant to Budget announcement 2013-14, Banks are required to ensure an onsite ATM in all the branches. Out of 34,668 onsite ATMs thus identified to be installed by Public Sector Banks, 14,309 ATMs have been installed by end of December, 2013.

• **Expansion of branch network by Public Sector Banks (PSBs)**

In terms of their Annual Branch Expansion Plan (ABEP) PSBs have planned to open 8,023 branches, out of which 4,258 branches have been opened by end of December, 2013. In the year 2011-12, 4805 branches were opened by PSBs and in 2012-13, 4432 branches were opened by PSBs.

• **Direct Benefit Transfer (DBT) and Direct Benefit Transfer for LPG (DBTL)**

One of the main targets under Financial Inclusion is related to Direct Benefit Transfer (DBT/DBTL). The objective of DBT Scheme is to ensure that money under various developmental schemes reaches beneficiaries directly and without any delay. Banks play a key role in implementation of DBT/DBTL and this involves four important steps, viz.

- (a) Opening of accounts of all beneficiaries;
- (b) Seeding of bank accounts with Aadhaar numbers and uploading on the NPCI mapper;

(c) Undertaking funds transfer using the National Automated Clearing House - Aadhaar Payment Bridge System (NACH-APBS).

(d) Strengthening of banking infrastructure to enable beneficiaries to withdraw money.

- **Progress of Direct Benefit Transfer (DBT)**

The scheme has been launched in the country from January, 2013 and has been rolled out in a phased manner covering 121 districts as of now.

The status of opening of bank accounts and seeding of Aadhaar number in respect of the 121 districts where 25 schemes have been rolled out under DBT as on 27.12.2013 is tabulated below :-

S. No.	Particulars	Phase-I	Phase-II	Total (Phase-I & Phase-II)
(1)	No. of Beneficiaries reported by District Administration	15.71 lakh	27.42 lakh	43.13 lakh
(2)	Out of (1), Beneficiaries Details Received by LDM	14.07 lakh (89.59%)	23.33 lakh (85.08%)	37.40 lakh (86.71%)
(3)	Out of (2), No. of beneficiaries account Opened	14.07 lakh (100.00%)	22.94 lakh (98.27%)	37.01 lakh (98.95%)
(4)	Out of (3) , No. of Debit Cards issued	5.75 lakh (40.88%)	7.66 lakh (33.43%)	13.41 lakh (36.23%)
(5)	Out of (3), Aadhaar number seeded in accounts	9.73 lakh (69.16%)	8.68 lakh (37.89%)	18.41 lakh (49.74%)
(6)	Out of (5), Mapping of Aadhaar Nos. done with NPCI	9.58 lakh (98.42%)	8.56 lakh (98.54%)	18.14 lakh (98.53%)

Source: IBA

- **Progress of Direct Benefit Transfer for LPG (DBTL)**

The Direct Benefit Transfer for LPG (DBTL) consumers was introduced under Phase 1, in 18 districts with effect from 01.06.2013, and has been subsequently extended in another 5 phases covering 291 districts across the country. The status of overall Aadhaar seeding in Phase 1 (20 districts), Phase 2(34 districts) and Phase 3 (43 districts) as on 30.12.2013 is as under:-

Sl. No.	Particulars	Phase-I (Launch date 1.8.2013)	Phase-II (Launch date 1.9.2013)	Phase III (Launch date 1.10.2013)
1	Total no. of LPG customers	76.66 lakh	151.34 lakh	164.66 lakh
2	Out of (1) , Seeding done in OMCs data	65.09lakh (84.91%)	100.38lakh (66.33%)	70.95 lakh (43.09%)
3	Out of (1), Seeding done in Bank accounts	58.77lakhs (76.66%)	76.35lakh (50.45%)	41.87 lakh (25.49%)

Source:MoPNG

7. Public Grievances

The progress report on disposal of Public Grievances relating to Banking and Insurance Sectors on CPGRAMS Portal during the period from 01.01.2013 to 31.12.2013 is as under :-

Sector	Brought Forward	Received during the period	Disposed of during the period	Pending	Percentage of disposal as on 31.12.2013
Banking	4983	10835	14148	1670*	96%
Insurance	1028	1826	2550	304*	96%

*Pending with PSBs/Insurance Companies.

8. Credit to Minority Communities

The total outstanding loans for minority communities have increased from ₹ 1,75,293 crore as on 31st December, 2012 to ₹ 2,11,167 crore as on 31st December, 2013 (Provisional).

9. Education Loan Scheme

The total educational loan outstanding of Public Sector Banks has increased from ₹ 52,982 crore as on 31st December, 2012 to ₹ 54,666 crore as on 31st December, 2013 (Provisional).

10. Women's SHGs Development Fund

To empower women and promote their Self Help Groups (SHGs) a "Women SHGs Development Fund" has been created, which is being operated by NABARD. The scheme was announced in the year 2011-12. It is being operationalized in 150 most backward districts including Left Wing Extremism (LWE) districts. NABARD has intimated that as on 30th November, 2013, in these districts 1,07,630 Women SHGs have been saving linked and out of which 15,981 SHGs have been credit linked.

11. India Infrastructure Finance Company Ltd (IIFCL)

- India Infrastructure Finance Company Ltd (IIFCL) a wholly-owned Government of India company was incorporated in 2006 to provide long term finance to infrastructure sectors. During 2013-14, till December 31, 2013, the disbursements of IIFCL stood at ₹ 4,408 crore with cumulative disbursements being ₹ 30,990 crore. The cumulative gross sanctions of IIFCL under direct lending stood at ₹ 53,304 crore till December 31, 2013. Under its Takeout Finance Scheme, IIFCL has till December, 2013 cumulatively sanctioned ₹ 5,110 crore and has completed takeout finance of ₹ 3,795 crore from 27 banks/financial institutions. Further, IIFCL is also undertaking pilot transactions under its Credit Enhancement initiative and till date it has accorded in-principle approval to four pilot transactions with proposed bond issue of about ₹ 2,200 crore.
- IIFC (UK), a wholly owned subsidiary of IIFCL set up in London with the objective of financing import of capital equipment by infrastructure projects in India, has during 2013-14 till December 31, 2013 disbursed USD 202 million with its cumulative disbursements being USD 904 million (USD 1102 million including outstanding Letter of Comfort of USD 198 million). The cumulative gross sanctions of IIFC (UK) stood at USD 6.76 billion till December 31, 2013. IIFCL has also set up an Infrastructure Debt Fund subsidiary which has since launched its maiden Infrastructure Debt Fund (IDF) Scheme through Mutual Fund route during 2013-14.

12. Export Import Bank of India

- Exim Bank has achieved business growth with loan assets reaching ₹ 65,563 crore in the year 2012-13. The borrowings in the same year was ₹ 64,485 crore. The Bank's net profit (after tax) at ₹ 742 crore, and ₹ 263 crore was transferred to the Central Government as return on capital.

- During the year the Bank extended 16 new Lines of Credit (LOCs) aggregating US\$ 833.59 million to support export of project goods and services from India. Networth of the Bank increased to ₹ 7,349 crore as on March 31, 2013.

13. Financial Inclusion Plan

As per the FM's announcement during the Budget Speech(2013-14), "All towns of India with a population of 10,000 or more will have an office of LIC and an office of at least one public sector general insurance company." This is to be completed by 31.3.2014. Towards this goal LIC has opened 1199 mini offices up to 31.12.2013 out of the 1700 to be opened in the unrepresented towns. LIC has been advised to open the remaining offices by 21st January, 2014. The four public sector General Insurance companies have opened 1847 offices from April, 2013 to 11th January, 2014 in 1847 towns out of 1859 unrepresented towns and only 12 offices remain to be opened which will be done by 21st January, 2014.

14. Settlement of MACT cases through Lok Adalat

In the Budget Speech of 2013-14 it was announced by the Hon'ble FM that "There are about 10,00,000 motor third party claims that are pending before Tribunals/Courts. Public sector general insurance companies will organise adalats to settle the claims and give relief to the affected persons/families." Under this initiative, 1,40,420 cases of the PSGICs were referred in Lok Adalats out of which 70,592 cases were settled upto 31.12.2013 i.e a settlement ratio of 50.27%. In addition to the regular Lok Adalats through which the above progress has been made, Mega Lok Adalats were held on 23rd November, 2013 and 30th November, 2013 across all the States. In the Mega Lok Adalats held on the 23rd November and 30th November, the four PSGICs had referred 62,750 cases out of which 40,310 cases were settled resulting in a settlement ratio of 64.24%.

15. Action Plan for Risk transfer mechanism for disaster risk reduction

This Department considered the Action Plan proposed by the National Disaster Management Authority (NDMA) and supported it in further exploring the below mentioned Six Action Points with potential subscribers to these insurance products to identify /assess their needs, as also with the insurance companies and IRDA to assess prospects for provision of these products and the broad terms on which they could be made available.

1. Enabling States to use a portion of SDRF to Purchase insurance-
 - i). For meeting relief not covered by SDRF schemes;
 - ii). For repair / reconstruction expenditure following a disaster
2. Parametric based insurance solutions for low frequency, high impact, earthquake and cyclone perils for NDRF.
3. Optional simple Indian Natural Catastrophe Insurance policies for non-BPL population with standard coverage and terms and conditions.
4. Mandatory property insurance solutions in respect of property tax payers living in high catastrophe prone urban areas. (earthquake and cyclones to begin with).
5. Enlarging the scope of the Public Liability Insurance Act to cover public places; commercial, non-industrial and industrial risks who have visitors or where a large number of people congregate.
6. Insurance for critical Infrastructure/ public utilities.

Further, it advised NDMA that the global best practices could also be assessed and the insurance companies would need to make the products available based on perceived needs of potential clients within a framework laid down by the IRDA.

16. Amalgamation of RRBs

The Government has, in consultation with National Bank for Agriculture and Rural Development (NABARD), the concerned State Government and sponsor banks, initiated the process of amalgamation of geographically contiguous RRBs in a State. Till 31st December, 2013, 43 RRBs have been amalgamated into 18 RRBs bringing down the number of RRBs to 57 from 82.

17. Recapitalization

Based on the recommendations of the Chakrabarty Committee the process for recapitalization of 40 out of 82 RRBs for strengthening their CRAR to the level of 9 per cent by 31st March, 2012 was started in 2010-11 and the shareholder wise proportion (GOI/Sponsor Banks/State Governments) is 50:35:15 respectively. Out of ₹ 2,200 crore, the Central Government share comes to ₹ 1,100 crore against which the Central Government has so far released ₹ 1,031.91 crore and recapitalization support has been completed in respect of 37 RRBs of 40 RRBs.

18. Branch Expansion Programme / Core Banking Solution

Total number of branches of RRBs was 17,856 as on 31.3.2013 and has increased to 18,039 as on 30.9.2013. All Branches of RRBs are on Core Banking Solution.

19. Appointment of Non Official Directors on the Boards of RRBs

There are 57 Regional Rural Banks functioning in the country at present. As per Section 9(1)(a) of RRBs Act, 1976, Central Government nominates two Directors on the Board of each RRB, who are not officers of the Central Government, State Government, Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), Sponsor Bank or any other Bank. Thus, there are 114 posts of Directors required to be appointed. Out of these, Government has so far nominated 61 new Non Official Directors on the Boards of Regional Rural Banks, replacing the existing ones.

20. RRBs - Comparative position of key performance indicators

Total Business of RRBs stood at ₹ 3,51,294.80 crore as on 31.3.2013 as compared to ₹ 3,02,721.04 crore as on 31.3.2012. Except one, all RRBs are making profit as on 31.3.2013.

21. National Pension System (NPS)

National Pension System (NPS) has been adopted by 28 State / Union Territory Governments. As on 07th January, 2014, a total of 58.83 lakh subscribers have been enrolled under NPS with a corpus of ₹ 42,684 crore. Swavalamban, a co-contributory pension scheme for the unorganised sector, which was extended upto 2016-17, has benefitted a total of 5.74 lakh beneficiaries till 4th January, 2014.

22. Pension Fund Regulatory and Development Authority (PFRDA) Bill, 2013

As a part of reforms initiatives taken by the Government, the PFRDA Bill, 2013 has been passed by the Parliament in September, 2013. The Bill, *inter-alia*, seeks to establish a statutory regulatory body with well defined powers to promote old age income security by establishing, developing and regulating pension funds. The passing of PFRDA Bill would enable PFRDA to perform its regulatory and developmental roles efficiently. A vibrant pension sector would facilitate the flow of long term savings for economic development and would also help in providing a credible and financially sustainable social security system in the country.

23. National Housing Bank (NHB)

During the year 2012-13, refinance disbursements touched the highest ever figure of ₹ 17,541.64 crore, registering an increase of 22% over the previous year's disbursements of ₹ 14,389.91 crore in 2011-12. Of these disbursements, ₹ 7,717.60 crore were disbursed for **rural housing** under the Bank's two rural housing refinance schemes viz. the Golden Jubilee Rural Housing Refinance Scheme (GJRHS) and the Rural Housing Fund (RHF), together constituting 44% of the total disbursements.

24. Cumulative Refinance Disbursement upto 2012-2013

The Bank has made cumulative disbursements (from inception till 30-06-2013) of ₹ 1,02,628.61 crore under Rural Housing Fund (RHF) and Refinance for Energy Efficient Housing.

NHB launched two new schemes:

1. Refinance for Low Income Housing.
2. Scheme for Installation of Solar Water Heating and Solar Lighting Equipments.

NHB also launched a Refinance Scheme for Installation of Solar Water Heating and Solar Lighting Equipments in Homes, to promote the use of solar equipment so as to conserve energy and reduce dependence on fossil fuels.

25. New Refinance Scheme Announced During the Year 2013-14 (July 2013-December 2013)

1. Urban Housing Fund (UHF)
2. Special Refinance Scheme for Urban Low Income Housing
3. Refinance Scheme for Women
4. Energy Efficient Housing Refinance Scheme (EEHRS)
5. Refinance Scheme for Installation of Solar Water Heating and Solar
6. Refinance Scheme for Construction Finance for Affordable Housing Projects
7. Refinance Scheme under ECB Borrowings

During the year 2013-14 (July-December 2013), the Bank has made refinance disbursements of ₹ 8,113 crore in the first half of the FY 2013-14 against a target of ₹ 9,800 crore. The total sanctions till 31-12-2013 stood at ₹ 23,955 crore.

26. Tax free bonds

As against the allocation of ₹ 5,000 crore to National Housing Bank for issuance of Tax free Bonds, the total amount mobilized by the Bank during the year was ₹ 640 crore. The amount under the Tax Free Bonds was mobilized both under Private placement (₹ 444 crore) and through public offer (₹ 196 crore). The coupon on these Bonds ranged between 6.87% p.a to 7.19% p.a and the tenor was ten years.

During FY 2013-14 (July-December, 2013), NHB has mobilised the full allocated amount of ₹ 3,000 crore.

27. SIDBI

India Microfinance Equity Fund : Out of current year budget allocation, ₹ 100 crore has been disbursed to SIDBI and another ₹ 100 Crore is to be released to SIDBI by 24.01.2014.

MSE Refinance Fund - In order to help MSEs to tie over the global and domestic slow down, the Government of India starting from the Union Budget, 2008-09 has been extending fund support to SIDBI for enhancing refinancing capability for the benefit of the MSE sector. This has been provided through fund allocation by Reserve Bank of India to SIDBI out of shortfall of priority sector lending. Against the cumulative allocation of ₹ 21,326 crore so far, SIDBI has disbursed ₹ 21,375.54 crore to banks / FIs, which has infused loan disbursement of ₹ 36,100 crore into the MSE Sector benefiting around 12 lakh viable and deserving MSEs.

The Union Budget 2013-14 announcement of enhancing the current level of refinancing capability of SIDBI from the existing ₹ 5,000 crore to ₹ 10,000 crore will further augment the credit flow to MSME sector, and more so, at a time when the economy is trying cope up with effects of global downturn. RBI has vide its letter dated June 28, 2013, allocated ₹ 10,000 crore under MSE Refinance Fund to SIDBI. So far disbursements aggregating ₹ 275 crore have been made out of the Fund. SIDBI has taken up with RBI for relaxation for its stipulation regarding coverage of only those loans which carry base rate of primary lending institutions.

28. Vigilance Matters

Targets	Achievement
CVC clearance for the post of CMD and ED Public Sector Banks/PSIs	In 24 cases CVC clearance for appointment of CMD and 25 cases for ED has been obtained during the Calendar Year, 2013.
Appointment of CVO in Public Sector Bank/PSIs	6 nos. of Officers have been appointed as CVO with the concurrence of CVC.
Policy framed	Policy in regard to appointment of CVO in Public Sector Bank/PSIs has been prepared and sent to CVC for their concurrence.

29. Aam Aadmi Bima Yojana (AABY)

Government has merged the two social sector life insurance schemes viz. Janashree Bima Yojana (JBY) and the Aam Aadmi Bima Yojana (AABY) into **the Aam Aadmi Bima Yojana (AABY)** w.e.f. 01.01.2013 for better administration and services related to life insurance cover to the economically backward sections of society.

The Scheme extends life and disability cover to persons living below poverty line and marginally above poverty line between the age of 18 years and 59 years under 47 identified vocational / occupational groups. The member should be head of the family or an earning member of the family under the eligible groups. List of categories covered under AABY is enclosed at **Annexure**. In addition to this, AABY is also extended to all Rashtriya Swasthya Bima Yojana (RSBY) beneficiaries, provided they meet the other eligibility conditions under the AABY scheme. The scheme is being implemented through Life Insurance Corporation of India (LIC) in the country. As on 30th November, 2013, a total number of 5,05,24,630 lives were covered under AABY in the country.

The Scheme provides insurance cover for a sum of ₹ 30,000/- on natural death, ₹ 75,000/- on death due to accident, ₹ 37,500/- for partial permanent disability (loss of one eye or one limb) due to accident and ₹ 75,000/- on total permanent disability (loss of two eyes or two limbs or loss of one eye and one limb) due to accident. The Scheme also provides an add-on-benefit, wherein Scholarship of ₹ 100 per month per child is paid on half-yearly basis to a maximum of two children per member, studying in 9th to 12th Standard.

The total annual premium under the Scheme is ₹ 200/- per beneficiary of which 50 per cent is contributed from the Social Security Fund created by the Central Government and maintained by LIC. The balance 50 per cent of the premium is contributed by the State Government /UTs in case of 'Rural Landless Households'. For other groups, it is contributed by the State Government / Nodal Agency / Individual. The Central Ministries/ Depts. /State Governments / Union Territories/any other institutionalized arrangement/registered NGOs etc. may act as nodal agencies under the Scheme. However in case of 'Rural Landless Households' category, the State Government/UT is the Nodal Agency.

**OCCUPATIONS/ VOCATIONS COVERED UNDER
AAM AADMI BIMA YOJANA**

Sr.No.	Occupation	Sr.No.	Occupation
1	Beedi Workers	25	Food Stuffs like Khandsari / Sugar
2	Brick Kiln Workers	26	Textile
3	Carpenters	27	Manufacture of Wood Products
4	Cobblers	28	Manufacture of Paper Products
5	Fishermen	29	Manufacture of Leather Products
6	Hamals	30	Printing
7	Handicraft Artisans	31	Rubber & Coal Products
8	Handloom Weavers	32	Chemical Products like candle manufacture
9	Handloom & Khadi Weavers	33	Mineral products like earthen toys manufacture
10	Lady Tailors	34	Agriculturists
11	Leather & Tannery Workers	35	Transport Drivers Association
12	Papad Workers attached to 'SEWA'	36	Transport Karmacharis
13	Physically Handicapped Self Employed Persons	37	Rural Poor
14	Primary Milk Producers	38	Construction Workers
15	Rickshaw Pullers / Auto Drivers	39	Fire Crackers' Workers
16	Safai Karamacharis	40	Coconut Processors
17	Salt Growers	41	Aanganwadi Teachers
18	Tendu Leaf Collectors	42	Kotwal
19	Scheme for the Urban Poor	43	Plantation Workers
20	Forest Workers	44	Women Associated with Self-Help Groups
21	Sericulture	45	Sheep Breeders
22	Toddy Tappers	46	Overseas Indian Workers
23	Powerloom Workers	47*	Rural Landless Households
24	Hilly Area Women		

*50% of the premium to be met by the State Governments /UTs